



Massachusetts Housing Finance Agency
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Investment and Audit Committee Meeting Minutes

Meeting Date and Time: June 8, 2021 at 1:00 p.m.

Meeting Location: In accordance with the Order Suspending Certain Provisions of the Open Meeting Law, GL.c.30A Section 20 issued by Governor Baker on March 12, 2020, no Members were physically present, and the meeting was conducted remotely through a publicly accessible Zoom meeting.

Members Present: Michael Dirrane
Mark Attia (designee)
Ping Yin Chai

MassHousing Staff Present: Stephen Vickery
Paul Scola
Rachel Madden
Belmira Fallon
Nancy Slaney
Cynthia Fernandes
Qihong Li
Melanie Jiang
Hayden Smith
Colin McNiece
Laurie Bennett
Lisa Levine (left at 1:05)

PricewaterhouseCoopers (PwC)
Staff Present: Paul Hanley
Erin Foley
Charles Cornish
Jonathan Carbone

The meeting began at 1:01 p.m.

Mr. Dirrane called the meeting to order and proceeded to ask for the approval of the minutes of the March 9th, 2021 meeting.

Vote: upon a motion duly made and seconded, the members voted unanimously, via roll call of all the members present, to approve the minutes of the March 9th, 2021 meeting.

Following such approval, Ms. Fernandes introduced the updated Investment & Audit Committee Charter.

Mark Attia joined the meeting at 1:02 p.m.

Ms. Fernandes summarized that the charter was initially adopted during the March 2020 meeting and that it's the normal course of business to regularly review the charter. She noted that during the March 2021 meeting the Committee endorsed the Investment Policy, and that the charter was updated to reflect this activity, as well as address minor spelling and grammar edits. There were no further questions and Ms. Fernandes asked for a motion to approve and adopt the updated charter.

Vote: Upon a motion duly made and seconded, the members voted unanimously, via roll call of all the members present, to approve the updated charter.

Ms. Fernandes then introduced the team that worked on the Audit Plan that is proposed for the Fiscal Year 2022. Ms. Fernandes noted that the Internal Audit team worked with the Human Resources function to pilot a resource share assignment with the Financial Reporting Team, where Ms. Jiang assisted Internal Audit in the development of the annual Audit Plan. Ms. Fernandes introduced Ms. Li and Mr. Smith, noting that Mr. Smith was the new internal auditor added to the team in May 2021.

Ms. Fernandes went through the third quarter audit results. Ms. Fernandes reviewed the E-MassHousing Project Audit results, noting that Internal Audit provided audit attention to the vendor selection processes and that procurement procedures and practices were adhered. She further noted that the internal audit team will continue to cover the project through the contracting and implementation of the technology; the Committee will be provided regular updates as the project continues. Ms. Fernandes then summarized the Loan Servicing point in time audit results. The engagement focused on the servicing of the multi-family loan portfolio. Ms. Fernandes stated that no significant findings were reported in the audit engagements performed by the Internal Audit function to date.

Ms. Fernandes then summarized the changes to the 2021 Internal Audit Plan over the third quarter. Specifically, Internal Audit cancelled the engagement of Talent and Culture because Internal Audit was requested to actively participating in the Agency's Alternative Work Strategy (AWS) efforts. Ms. Fernandes further noted that since the control environment was changing, participating in the AWS efforts were more impactful to the Agency. She noted that there were no instances of fraud reported throughout the quarter.

Ms. Fernandes then reviewed the results of assurance engagements performed by assurance providers other than Internal Audit. She noted that there were no new findings or reports that were issued in the quarter.

Ms. Fernandes summarized the fiscal year 2022 Internal Audit Plan. She noted that the plan is based on an agency-wide risk assessment that factors people, process, and technology. As the Agency is transforming and moving to the hybrid workforce model, controls are anticipated to change and be automated. Accordingly, Ms. Fernandes noted that Management requested Internal Audit's assistance in considering the control environment and design. The Internal Audit Plan included time to support these efforts. Ms. Fernandes then reviewed the anticipated work of other assurance providers for the Fiscal Year 2022.

Ms. Fernandes presented the Agency's summarized risk profile and discussed the changes from the prior year. Specifically, the mortgage insurance fund was characterized as its own risk unit, accounting for the increase in risk units from 22 to 23. Ms. Fernandes noted that the Internal Audit team will spend most of their time in the areas with high or moderate risk. The Internal Audit team proposed 7 audit engagements over the course of the year. Ms. Fernandes then solicited questions from the Committee.

Mr. Chai inquired whether Internal Audit considers cybersecurity risks and whether any assurance is being provided to cyber-controls. Ms. Fernandes responded that cybersecurity is a risk factor in all audit engagements and was considered during the annual risk assessment process. She further noted that Internal Audit plans to perform an IT audit and is in the process of doing an inventory of the access points throughout the Agency. Mr. Chai followed-up with a question on whether Internal Audit has the requisite knowledge to assess cyber-security and asked if Internal Audit was getting help from outside assurance providers. Ms. Fernandes responded that Internal Audit works closely with the IT specialists throughout the Agency and noted that PwC performs some testing of the applications that support financial processes. Mr. Hanley noted that PwC meets with the IT Department and performs inquiries, as part of the external audit. He further noted that PwC does not perform detailed testing of cyber-security controls.

Mr. Dirrane stated that cybersecurity is an area that should be looked at in more detail because all it takes is one cybersecurity breach to lose confidence in the public. Mr. McNiece noted that testing is being performed and that he will inquire further with the IT department to determine the extent. Ms. Madden stated that MassHousing has an outside vendor that does a stress test of IT's cybersecurity controls. Ms. Madden noted that she would follow up with the Committee in an email after the meeting.

Mr. Chai then asked a question on servicing loans associated with Fannie Mae and Freddie Mac and the extent of the monitoring of those loans. Mr. Hanley said that PwC does an audit for the compliance with the communication to the custodian, but it is not in scope to test the custodian fund. Mr. Vickery said that finance does reconciliations monthly and reports with Fannie Mae and Freddie Mac to verify compliance. Mr. Chai also asked if the Agency segregates the custodial funds between MassHousing and Fannie Mae/Freddie Mac. Mr. Vickery confirmed that finance does segregate those funds.

With no further questions, Mr. Hanley presented PwC's audit plan for the fiscal year 2021 audit. He summarized the engagement objectives and outlined the scope of this year's planning, noting that it is very similar to the prior year. He confirmed that it is PwC's responsibility to provide an independent opinion on the reasonableness of MassHousing's financial statement presentation in accordance with Generally Accepted Accounting Principles (GAAP). He also noted that PwC performs the engagement to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.

Ms. Foley noted that PwC will perform audit services in accordance with Generally Accepted Government Audit Standards (GAGAS) and will provide an opinion on the financial statements and compliance with major federal programs. In addition, PwC will provide services on the unaudited quarterly financial reviews and Management Discussion and Analysis sections.

Mr. Cornish then described the risk-assessment process and the audit's top-down, risk-based approach. He discussed significant risks, such as management override of controls and risk of fraud. He noted that those risk are significant in all audits.

Mr. Hanley noted that materiality applies differently in different contexts. Mr. Hanley provided an example related to non-compliance. He noted that materiality is not considered in that context and PwC would report whether the Agency is compliant or not.

Mr. Cornish continued outlining the scope of the audit and noted that the PwC team collaborates with the Internal Audit team.

Ms. Foley then presented the overall schedule. In July, PwC will begin testing controls and conduct interim audit procedures. In August, financial statement testing will occur and at the end of September PwC will issue their audit opinion.


Mr. Hanley also noted that PwC pays particular attention to the loan loss reserve. Mr. Hanley then highlighted PwC's efforts associated with diversity, equity, and inclusion. Each PwC staff member present how PwC has supported them.

Mr. Dirrane asked if there were any other matters to discuss and the members then voted to adjourn.

The meeting concluded at approximately 1:43 p.m.

A true record.

Attest.



Colin M. McNiece
Secretary

Meeting Materials:

- Minutes of the March 9, 2021 Meeting
- Updated Investment and Audit Committee Charter
- Internal Audit Update, June 8, 2021, including:
 - Investment and Audit Committee Quarterly Internal Audit Report (Q3 2021)
 - Internal Audit Plan (FY 2022)
- PwC Report to the Investment and Audit Committee, 2021 Audit Plan