



Massachusetts Housing Finance Agency  
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## Investment and Audit Committee Meeting Minutes

Meeting Date and Time: March 29, 2022, at 1:00 p.m.

Meeting Location: In accordance with Section 20 of An Act Extending Certain COVID-19 Measures Adopted During the State of Emergency, 2021 Mass. Acts 20, and Section 8 of An Act Making Appropriations for the Fiscal Year 2022 to Provide for Supplementing Certain Existing Appropriations and for Certain Other Activities and Projects, 2022 Mass. Acts 22, this Meeting will not be conducted in a publicly accessible physical location. This meeting will instead be conducted through remote audio and video participation by the Members of MassHousing.

Committee Members Present: Ping Yin Chai  
Mark Attia

MassHousing Staff Present: Rachel Madden  
Stephen Vickery  
Paul Scola  
Belmira Fallon  
Nancy Slaney  
Laurie Bennett  
Colin McNiece  
Cynthia Fernandes  
Hayden Smith

CliftonLarsonAllen LLP (CLA)  
Staff Present: Jim Piotrowski  
Shana Doiron  
Chris Rogers

*The meeting began at 1:01 p.m.*

Mr. Chai called the meeting to order and proceeded to ask for the approval of the minutes of the December 14, 2021 meeting. Upon a motion duly made and seconded, the members that were present voted, by roll call, to approve the minutes of the December 14, 2021 meeting.

Following such approval, Mr. Vickery reviewed the OPEB Year-End Discussion. In anticipation of the proposal to change the fiscal year-end of the OPEB Trust from June 30<sup>th</sup> to December 31<sup>st</sup>, Mr. Vickery explained the issues with the current OPEB timing. Mr. Vickery presented a brief history on the implementation of GASB 68, as it relates to the recording of a pension liability or asset. He further noted that in Fiscal Year 2018, MassHousing implemented GASB 75, which resulted in an OPEB liability on the statement of net position. He highlighted that both GASB pronouncements resulted in changes to the statement of net position and the income statement. Mr. Vickery further explained that every two years, an actuary provides a valuation to update the pension and OPEB liability. A funding schedule is also established as part of the financial presentation. The valuation for the Agency's Pension is included in a separate report and included in the GASB 67/68 report. The OPEB valuation and funding schedule are included in a GASB 74/75 report. The Executive Secretary for Retirement utilizes the GASB 67/68 report and the GASB 74/75 report. The Agency Financial Statement uses aspects of both the GASB 67/68 and the GASB 74/75 reports for its notes and required supplementary information.

The GASB 67/68 report, utilized for pension purposes, has a year-end of December 31<sup>st</sup>. This allows the finance team to gather all required information from retirement and human resources before the agency fiscal year end on June 30. The reporting requirements of the GASB 74/75 require a year-end of June 30. The agency does not receive the GASB 74/75 report until a month after the end of its fiscal year. Because the agency has a 90-day reporting requirement to issue the financial audit after June 30, this puts the agency at risk to deliver the audit within that timeframe.

Mr. Vickery explained that the Agency is proposing to change the OPEB year-end from June 30<sup>th</sup> to December 31<sup>st</sup> to align with the pension fiscal-year, starting on December 31, 2023. There would be a shortened reporting period for the period July 1, 2022 to December 31, 2023. The benefits of the change include: a reduction in reporting risk related to fiscal year end reporting, reduction in staff workload, and the information for pension and OPEB would be for the same period. Mr. Vickery mentioned that MassPort successfully changed their OPEB year end with a similar approach. Mr. Vickery then solicited questions from the Committee.

Mr. Chai said that the proposal was well said. Mr. Attia said he did not have any concerns and asked when MassPort completed the change. Mr. Vickery said they did their first full year with the new fiscal year end in 2021. Mr. Vickery also stated the Agency is planning on doing a Request For Proposals (RFP) for the actuary services. Mr. McNiece mentioned that the OPEB Committee will vote to approve the proposal next, and the proposal will be presented for a vote at a later Board Meeting.

With no further questions or discussion, Ms. Fernandes reviewed the Investment and Audit Committee Report for the second quarter (Q2) of Fiscal Year 2022 (FY2022). She reviewed the audits completed during Q2, which were the second phase of the IT engagement, and the administrative services engagement. Ms. Fernandes explained the purpose of the IT engagement was to compare the controls that exist in the agency related to cybersecurity with the National Institute of Standards and Technology (NIST) Framework. She also explained the purpose of the administrative services engagement was to validate the back-to-work plan and alternative work strategy. She highlighted that Internal Audit tested controls related to the operation of a safe environment in line with Centers for Disease Control (CDC) guidance.

Ms. Fernandes stated there were no changes to the audit plan this quarter, and that all audits were on-track for completion, in line with the FY2022 Audit Plan. She mentioned there were no reported hotline incidents, and that the Agency will be completing an RFP for hotline services this year. Ms. Fernandes then presented the engagements performed by assurance providers other than Internal Audit. She explained the State Audit Report was released with a clean opinion and an "Other Matters" section. The other matters section was a recommendation to clarify internal policy and procedure documentation, and the Agency believes it has implemented the recommendation.

Ms. Fernandes mentioned that the Committee package included the Institute of Internal Auditors (IIA) 2022 On-Risk Report, which highlights key risks globally identified by the IIA. She noted that the global risk and opportunities mirror the Agency's key areas of focus.

After Ms. Fernandes' presentation, Mr. Chai asked about the last State Audit Report where recommendations were made related to IT, and if all those recommendations were implemented. Ms. Fernandes said that they were addressed, and the recommendations focused on IT governance. Ms. Fernandes also mentioned that Internal Audit is looking to substantively test those recommendations in the next fiscal year.

With no further questions, Mr. Chai moved on to the Clifton Larson Allen (CLA) Required Communications regarding the FY2021 Single-Audit.

Mr. Piotrowski introduced the CLA team. He gave an overview of the terms of the engagement, which was to complete a single audit over Federal programs in accordance with Federal Compliance Requirements, and to opine on the Schedule of Federal Awards (SEFA). In addition, CLA tested compliance of major programs, and internal controls of major programs.

Mr. Piotrowski said that the Agency received an unmodified opinion with both the SEFA and compliance with major federal awards. The major program tested was the Section 8 HAP for Low Income Families, and no findings were identified. Mr. Piotrowski gave a summary of Federal Awards received and spent by the Agency. Mr. Piotrowski also presented other required communications, including: significant account policies, note disclosures, that there were no difficulties encountered during the audit, and no uncorrected and corrected misstatements. He also said that there was no disagreement with management, and the management representation letter was signed by all appropriate parties. Mr. Piotrowski then solicited questions from the Committee.

Mr. Chai said that the report looked great. There were no further questions or comments.

*At approximately 1:25 p.m. members of MassHousing staff left the room so that the Committee could speak independently with CLA, after which the meeting concluded at approximately 1:30 p.m.*

A true record.

Attest.

  
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Colin M. McNiece  
Secretary

*Meeting Materials:*

- Approval of the December 14, 2021 Minutes
- Internal Audit Update
  - State Audit Report
  - 2022 Institute of Internal Audit on Risk Report
- OPEB Year-End Discussion
- CliftonLarsonAllen LLP (CLA) Investment & Audit Committee Exit Conference Uniform Guidance Audit