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## Investment and Audit Committee Meeting Minutes

Meeting Date and Time: June 13, 2023, at 1:01 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 was conducted through remote audio and video participation by the Members of MassHousing.

Committee Members Present: Jeanne Pinado  
Carolina Avellaneda  
Michael Dirrane

MassHousing Staff Present: Stephen Vickery  
Sandra Bakaysa  
Nancy Slaney  
Minalyn Ebanculla  
Belmira Fallon  
Laurie Bennett  
Colin McNiece  
Cynthia Fernandes  
Hayden Smith  
Simone Ward

PricewaterhouseCoopers (PwC)  
Staff Present: Nipa Patel  
Jonathan Carbone  
Mike Stankus

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

Upon a motion duly made and seconded, the members unanimously voted, by roll call, to approve the minutes of the April 11, 2023 meeting.

Following such approval, Ms. Fernandes reviewed the Investment and Audit Committee Report for the third quarter (Q3) of Fiscal Year 2023 (FY2023). She gave an update on the FY2023 Internal Audit Plan, noting that the audits were on track for completion. She noted that the three engagements, which were completed during Q3, had “effective” opinions. Ms. Fernandes then highlighted Internal Audit’s collaboration with the Agency’s Compliance Officer on the execution of the Federal Common Controls Audit. She also highlighted that the workpapers from that audit were shared with the Massachusetts Executive Office for Administration and Finance (A&F) and Executive Office of Housing and Livable Communities (EOHLC, formerly known as the Department of Housing and Community Development or DHCD). The work was shared because the engagement provided assurance regarding MassHousing’s compliance with contracts established with those entities to administrate federally funded programs.

Ms. Avellaneda asked why the e-MassHousing Replacement Project Audit was noted as a “final opinion”. Ms. Fernandes responded that for “project audits” Internal Audit follows the projects from its inception and issues interim reports every 6 months. She stated that the project went live during the past 6 months and reached a “steady state”, and therefore Internal Audit was providing a final opinion regarding project management activities.

Ms. Fernandes confirmed that there were no reports made through the fraud hotline and no changes were made to the current FY 2023 Internal Audit Plan. Ms. Fernandes then presented the engagements performed by assurance providers other than Internal Audit. She highlighted that the Freddie Mac CORE review was underway and noted that the exit meeting for the engagement with the Division of Banks (DOB) was scheduled for June. Ms. Fernandes then reviewed the 2023 Internal Audit Plan summary, which showed the reports which have been issued thus far and which audits are still outstanding. She inquired if there were any questions.

Ms. Pinado asked about the size of the audit engagements and further inquired if any of the engagements were repeats or if all were new. Ms. Fernandes confirmed that 9 out of the 11 engagements were new areas that Internal Audit had not reviewed before and that the size of the engagement varied. Mr. Dirrane commented that Ms. Fernandes has brought great enthusiasm to the Agency’s assurance work and that the Investment and Audit Committee meetings have become more robust.

There were no further comments or questions.

Ms. Fernandes then presented the 2024 Internal Audit Plan. She explained that the process for creating the Internal Audit Plan included meeting with the Agency Directors/Managers and updating the Agency’s Risk Profile. She further explained that adjustments were made for any new risk units or to existing risk units, as needed. Ms. Fernandes stated that the Internal Audit Plan includes a capacity analysis, as the function is a three-person team. She also highlighted that there has been a change in how Internal Audit plans each engagement, as Internal Audit has become more interested in the hand-offs between departments. Accordingly, there is a heavier focus on conducting “walkthroughs” during the planning stage to gain an understanding of how processes occur. Ms. Fernandes mentioned the portfolio of external assurance providers over the years has increased and the work other assurance providers perform is always considered when building the Internal Audit Plan to reduce the duplication of efforts.

Ms. Fernandes highlighted that despite the significant changes within the Agency from FY2023 to FY2024 the risk units have remained mainly the same and the Agency has received clean opinions from assurance providers. The overall profile remains at 6 high risk units. She stated that it is Internal Audit's goal in FY2024 to conduct more audits of the "moderate" risk units to obtain a more holistic view of the Agency.

Ms. Avellaneda asked what risk units were assigned to each and wanted to see the support. Ms. Fernandes provided the underlying support after the meeting.

Ms. Fernandes reviewed the Fiscal Year 2024 proposed audits and discussed the other assurance providers that are planning to perform reviews in the Agency. She mentioned there are three other reviews planned: a Counterparty Operational Risk Evaluation (CORE) review performed by Freddie Mac, a Annual Compliance Review (ACR) performed by the United States Housing and Urban Development (HUD), and a Mortgage Origination Risk Assessment (MORA) performed by Fannie Mae.

Ms. Pinado mentioned that many assurance providers seem to come in for reviews at year-end, and asked how staff resources were managed. Mr. Vickery stated that July and August are generally very busy and throughout the summer the workload is very intense. He stated that PwC and CLA are provided with a lot of data and information that's compiled and reviewed during that timeframe. To alleviate some of the strain, if there are things that can be accomplished prior to the busy season, such as meetings and researching GASB pronouncements, it is performed early. Mr. McNiece also mentioned that the rest of the Agency is sensitive to the Finance team's responsibility during this time of year and affirmed that the team is professional, and activities are streamlined.

There were no further questions or comments.

Ms. Patel started off the PwC presentation by introducing Mr. Stankus, as the PwC Director located in Boston, who will be the lead individual responsible for overseeing the day-to-day management of the FY2023 Financial Statement Audit. Ms. Patel also introduced Mr. Carbone, who has supported the engagement for several years.

Ms. Patel reviewed the Financial Statement Audit Plan and reference slide 6 of the "Presentation of the FY23 Year-End Audit Plan". She explained that independence is an important element to the audit work that PwC performs. She then noted that one of the ongoing independence evaluations that PwC performs is when any Board members are appointed, or a new member of the Executive Leadership Team is appointed, they are reviewed to ensure that there are no objectivity or impartiality concerns. While PwC is required to do this prior to the appointment of the members, they do realize that it is not always practical. Ms. Patel mentioned that they receive the information as soon as possible from Mr. McNiece.

Ms. Patel highlighted the risk assessment results for the current audit year and noted that there were two significant risks to discuss. The first risk for the Agency Financial Statement and Mortgage Insurance Fund (MIF) engagements, is the risk of management override of controls. Management override of controls is a significant risk on any engagement. Ms. Patel noted that the test work will involve the journal entry testing, validating the appropriateness of journal entries, and understanding managements processes and controls. The second risk is single-premium income accounting as it relates to the MIF engagement. Ms. Patel stated that the multi-family allowance for loan losses was not a significant risk this year, based on industry benchmarking, and as a result this risk was removed.

Ms. Patel went over the engagement scope and discussed materiality for the engagement. From a quantitative standpoint, she stated that overall materiality continued to be measured at 1.75% of total assets.

Ms. Patel noted that PwC recently released its latest version of its Purpose and Inclusion Report, which highlights PwC's journey on Diversity, Equity, and Inclusion (DEI) initiatives. She stated that broader discussions are ongoing with senior management at the firm. Ms. Pinado asked about PwC's organization goals, specifically the percentages of racially/ethnically diverse and female leaders in PwC. Ms. Patel said that PwC is focused on recruiting into the firm. She stated that once the employee joins the firm, there are programs to support career progression.

Ms. Avellaneda commented on what is considered racially diverse and if it targets underserved communities. Ms. Patel noted that PwC is working to hire in line with the general population.

Ms. Patel discussed the timeline of the PwC FY23 year-end audit. The intent is to conclude the engagement in late September 2023, which is consistent with prior years. Ms. Patel stated that PwC will come back in September to provide an update on the audit.

Ms. Patel went over the other required communications, and there were no significant items to note. Ms. Patel asked the Committee members if they were aware of any alleged or suspected fraud in the Agency. Ms. Pinado, Mr. Dirrane and Ms. Avellaneda all answered that they were not aware of any instances.

Ms. Pinado asked if the Financial Statement Audit engagement was conducted remotely. Ms. Patel stated that PwC has been remote during COVID, but PwC is looking to move towards a hybrid model.

There were no further questions or comments.

*The meeting concluded at approximately 1:31 p.m.*

A true record.

Attest.

  
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Colin M. McNiece  
Secretary

*Meeting Materials:*

- Approval of April 11, 2023, Minutes
- Internal Audit Update and presentation of FY24 Audit Plan
- PwC – Presentation of the FY23 Year-End Audit Plan