



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

Meeting Date and Time: January 10, 2017 at 1:00 p.m.  
Meeting Location: MassHousing, One Beacon Street, Boston, MA

Members Present: Mark Attia (designee of Rachel Madden), joined at 1:05 p.m.  
Ping Yin Chai

Members Not Present: Michael Dirrane

MassHousing Staff Present: Timothy Sullivan  
Karen Kelleher  
Charles Karimbakas  
Beth Elliott  
Paul Hagerty  
Craig Merry  
Kenneth Penta  
Belmira Fallon

PriceWaterhouseCoopers (PwC)  
Staff Present: Paul Hanley  
Joseph Rocco  
Charlie Cornish

*The meeting began at 1:00 p.m.*

Mr. Hanley began discussion by reviewing the Committee's prior meeting regarding the Agency's draft financial statements for FY16. He highlighted two key areas: (1) approval of changes to MassHousing's multifamily loan loss reserve policy, and (2) Lender-paid mortgage insurance receivables for the Mortgage Insurance Fund. He reporting that there were no material adjustments to the financial statements due to the Mortgage Insurance Fund receivables, as well as that no significant weaknesses or deficiencies in internal controls were noted.

*Mr. Attia joined at 1:05 p.m.*

Mr. Hanley then reviewed the required communications from PricewaterhouseCoopers in connection with the FY16 audits for MassHousing and its affiliates. He reported that all entities received clean audit opinions, with no unaudited differences between the audit and internal MassHousing records and no

fraud or irregularities detected. He then reconfirmed PricewaterhouseCoopers' independence under the applicable standards.

Mr. Chai asked if there was a management letter. Mr. Hanley informed him that there was not, and that there was nothing that needed to be flagged to the Committee.

Mr. Hanley continued by informing the Committee that the review of the first quarter of FY17 began in December and that the team was also working on revising MassHousing's Information Statement.

Mr. Chai then asked about the rotation policy for the audit team. Mr. Hanley responded that, although there is a 10-year limit for non-SEC-regulated entities, PricewaterhouseCoopers recommends rotation after not more than seven (7) years for entities such as MassHousing.

Mr. Hagerty then presented a report regarding the draft Information Technology audit report that MassHousing received from the State Auditor, the final report having not yet been issued after MassHousing responded to the draft. He outlined the seven (7) main topical findings and noted that there were sub-topical recommendations within each main topic area, with significant and *de minimis* items intermixed. He indicated that MassHousing expected the final report to be issued within a few weeks and would be provided to the Committee members at that time.

Mr. Sullivan then provided an example of a finding from the report: the State Auditor cited process risks in connection with MassHousing's inadequate strategic planning. He pointed out that MassHousing focused primarily on consequences, rather than process. He also informed the Committee that the State Auditor's team could not consider any of the significant actions MassHousing has taken with respect to Information Technology that occurred after the end of their audit period. These actions include hiring a new Chief Information Officer and implementing a new strategic plan for Information Technology, after the end of the formal audit period. Mr. Sullivan commented that he was confident that MassHousing was engaging appropriately in the three key areas identified by the State Auditor's team: (1) strategic planning for Information Technology, (2) physical inventory control, and (3) disaster recovery.

Mr. Chai asked how often the State Auditor conducts audits at MassHousing. Mr. Hagerty informed him that the prior team was at MassHousing approximately eight (8) years before.

Mr. Merry then summarized the results of the FY16 audits of MassHousing and its affiliates: all received clean, unmodified opinions.

The members then voted to approve the minutes of the preceding meeting of the Committee, which was held on September 13, 2016, and to adjourn.

*The meeting concluded at 1:40 p.m.*

A true record.

Attest.



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Beth M. Elliott  
Secretary