



# CalHFA<sup>SM</sup> BOARD OF DIRECTORS

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California Housing Finance Agency

**Audit Committee**  
**November 12, 2020**  
**9:00 a.m.**

## **Video and Teleconference Meeting**

Click on the link to register:

<https://attendee.gotowebinar.com/register/2022851116568526351>

To **listen only**\* via teleconference, please use the call-in information below:

- +1 (562) 247-8422
- Enter Access Code: 130-298-414

\*Members of the public are not able to provide public comment or address the Committee when participating by teleconference.

*The Committee may take action on any item listed on the agenda. Agenda items may be taken out of order. Members of the public will be provided an opportunity to address the Committee during the meeting.*

1. Roll Call
2. Approval of the minutes of the April 1, 2020 Audit Committee meeting ..... 1
3. Chairperson comments
4. Update from Information Technology on aligning IT initiatives to Agency Goals, COVID-19 Response (teleworking) and Cybersecurity (*Ashish Kumar and Russell Nakao*)
5. Annual review of the Committee Charter (*Michael Gunning*) ..... 4
6. Discussion of other Committee matters
7. Public comment: Opportunity for members of the public to address the Committee on matters within the Committee's authority
8. Adjournment

## MINUTES

### California Housing Finance Agency (CalHFA) Audit Committee Meeting April 1, 2020

Meeting noticed on March 20, 2020

#### 1. ROLL CALL

The California Housing Finance Agency Audit Committee meeting was called to order at 9:34 a.m. by Chair Gunning. A quorum of members was present.

MEMBERS PRESENT: Gunning, Ma, Sotelo

MEMBERS ARRIVING  
AFTER ROLL CALL: None

MEMBERS ABSENT: None

STAFF PRESENT: Tia Boatman Patterson, Don Cavier, Lori Hamahashi, Kate Ferguson, Claire Tauriainen, Melissa Flores

GUEST SPEAKER: Mandy Merchant, Principal, *CliftonLarsonAllen*

#### 2. APPROVAL OF MINUTES – November 21, 2019

The minutes were approved by unanimous consent of members present.

#### 3. CHAIRMAN COMMENTS

Chair comments:

Chair Gunning opened by noting this was the first entirely remote meeting held by the Audit Committee. He then reminded all attendees to provide their name before speaking and asked that public comments be held until the appropriate time. He reminded everyone that the meeting materials could be found on the Agency's website at calhfa.ca.gov.

#### 4. REVIEW AND DISCUSSION OF THE AUDIT RESULTS FOR FINANCE FUND FISCAL YEAR ENDING JUNE 30, 2019

*Presented by Lori Hamahashi and guest Mandy Merchant*

CalHFA Comptroller Lori Hamahashi informed the Committee that the Popular Annual

Financial Report (PAFR) for the California Housing Finance Fund was not ready, but once it is, all Board members would be provided a copy and it will be posted on CalHFA's website for the public. The Agency is eligible to participate in the Government Finance Officer's Association's PAFR program this year. Ms. Hamahashi plans to submit the Agency's PAFR once it is ready.

Mandy Merchant, Principal at CLA, provided the Committee with an overview of audit results from the California Housing Finance Agency Comprehensive Annual Financial Report (CAFR) for the year ending June 30, 2019 and the Single Audit of federal programs. She noted:

- There was a \$102M decrease in program loan receivables related to the principal payments offsetting new loans
- There was a \$252M decrease in bonds payable due to early bond redemptions totaling \$255M, offset by newly issued bonds, about \$23M. When looking at a comparison of bonds payable from 2015-2019, she noted a consistent decrease during each fiscal year for that period of time.
- Swap derivative liability increased by \$16M due to decreases in fair value and lower interest rates in favor of the counterparty.
- Net pension liability decreased \$10M, while the net Other Post Employment Benefits (OPEB) liability increased \$3M due to changes in the actuarial assumptions this past year, changes in the allocation method for the OPEB, and the overall performance of the plans in the market
- Because the Agency received over \$750,000 in federal awards, a Single Audit of federal programs was required. A review of eight projects in the Section 8 program found that two projects authorized disbursements without first obtaining HUD approval. While the disbursements were allowable costs, they were not properly approved by HUD as required in the regulatory agreement. This resulted in a finding and the recommendation that the Agency review federal regulatory contracts and determine which ones need HUD approval and which ones do not. Kate Ferguson, Director of Multifamily Programs, stated corrective action regarding this finding was implemented in August of 2019.

## **5. PUBLIC COMMENT**

Chair Gunning asked if there were any comments from the public and there were none.

## **6. ADJOURNMENT**

As there was no further business was to be conducted, Chair Gunning adjourned the meeting at 10:18 a.m.

## **HANDOUTS**

- a) California Housing Finance Fund Annual Report for Fiscal Years Ending June 30, 2019 and June 30, 2018 (CAFR)
- b) Single Audit Report
- c) CLA Required Communication Letter

**CALIFORNIA HOUSING FINANCE AGENCY**  
**AUDIT COMMITTEE CHARTER**  
**May, 2006**

**MISSION**

The Audit Committee of the Board of Directors of the Agency will assist the Board of Directors in fulfilling its oversight responsibilities in the area of financial reporting and accounting integrity. In performing its duties, the Audit Committee will maintain effective working relationships with the Board of Directors, with Agency executive management and staff, and with the Agency's independent auditors. The Audit Committee has the authority to conduct any review appropriate to fulfilling its responsibilities. The committee will have direct access to independent auditors, as well as anyone in the organization.

**COMPOSITION**

The Audit Committee will be comprised of no less than three voting members of the Board, to be selected by the Chairman of the Board to serve on a rotational basis with staggered terms.

**AUTHORITY**

The Audit Committee has certain limited powers delegated to it by Board Resolution 06-08, and will act in an advisory capacity to the Board concerning audits and related financial matters. Management, staff and the independent auditor will serve as a resource to Committee in their understanding of the Agency's financial reporting responsibilities and any significant issues related to financial reporting and accounting policies. All employees of the Agency are directed to cooperate as requested by members of the Committee.

**MEETING**

The Audit Committee will meet at least twice per year. The committee will also report to the full Board, at a regular meeting of the Board of Directors at least once a year, on the audit process and results of such audits. All meetings of the committee shall be open public meetings subject to the same notice and agenda procedures as are regular meetings of the Board. Agency staff will serve as staff to the committee.

**MINUTES**

Minutes of each meeting will be prepared and sent to all members of the Board. The committee minutes need not be verbatim. Minutes of meetings are public records unless exempted under the California Public Records Act or other applicable law.

## DUTIES

The Audit Committee will conduct its oversight activities by:

1. Periodically reviewing with the assistance of Agency management, staff and independent auditors the Agency's policies and procedures. Part of this review shall include the direct inquiry of management and independent auditors about the significant risks or exposures and the steps management has taken to minimize such risk to the Agency.
2. Review with the staff and independent auditor the scope and general extent of the independent auditor's examination. The Audit Committee's review shall include an understanding from the independent auditor of the factors considered in determining the audit scope, including:
  - a. Industry and business risk characteristics of the Agency
  - b. External reporting requirements
  - c. Materiality of the various segments of the Agency's activities
  - d. Quality of the Agency's internal control structure
  - e. Other areas to be covered during the audit engagement
3. Review with the Agency's management, staff and independent auditors, upon the completion of their audit, financial results for the year. This Committee shall:
  - a. Review the Agency's annual financial statements and the opinion of the independent auditors;
  - b. Discuss with management, staff and independent auditors any current accounting and reporting issues, including recent professional and regulatory pronouncements – Agency management and staff shall have the duty to inform Committee members of significant relevant issues and developments in accounting and financial reporting;
  - c. Discuss with Agency management, staff and the independent auditor any significant changes from preceding years;
  - d. Review the adequacy of disclosure of significant items;
  - e. Discuss with Agency management, staff and the independent auditor the effect on financial statements of any proposed or implemented changes in accounting policies initiated by the Agency, independent auditors or pronouncements of standard boards or governmental authorities
  - f. Presentation of financial statements
  - g. Report to the Board any illegal, improper or sensitive transactions that have come to the attention of the Committee through information received by management, staff or the independent auditor or by any other means;
  - h. Review significant adjustments proposed by the independent auditors.
4. Review all management letter items from the independent auditor and the written responses from management about each comment or finding. Discuss with the

independent auditors the level of professional competence of the Agency's financial and accounting personnel, and any relevant recommendations, which the auditors may have.

5. Recommend to the Board of Directors any appropriate changes in the duties of the Committee. Review and update the Committee's charter annually.
6. Review the Agency's selection process in obtaining a multi-year auditing services contract with an independent auditor.
7. Review legal and regulatory matters that may have a material impact on the financial statements and related compliance policies and programs.
8. Review with management the Agency's Conflict of Interest/Code of Ethics policy and the Agency's system of enforcing the policy.