



BOARD GOVERNANCE TRAINING

California Housing Finance Agency

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WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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Objectives

- Brief Overview of Accountability and Fiduciary Responsibility
- Specifics for the California Housing Finance Agency Board



Fiduciary Duties

Duty of Care

- Diligence and attentiveness to board responsibilities. Act as “an ordinarily prudent person” would “in a like position and under similar circumstances.”

Duty of Loyalty

- Faithful pursuit of the interests of the organization rather than personal interests or the interest of another person or organization means that decisions are to be made in the best interests of CalHFA.

Duty of Obedience

- Act with fidelity, within the bounds of law generally, to the organization’s mission.



Board of Directors



Duty of Care

Attend meetings and actively participate in the work of the Board. Must be present and engaged.



Scrutinize the work of committees having authorization of the Board.



Participate in Board actions. If you are there, you are responsible for knowing the board materials prior to the meeting. Read the information ahead of time.



Know the books and records.



Protect the organization's assets consistent with restrictions and legal requirements.



Duty of Loyalty

Follow your written policies on conflicts of interest.

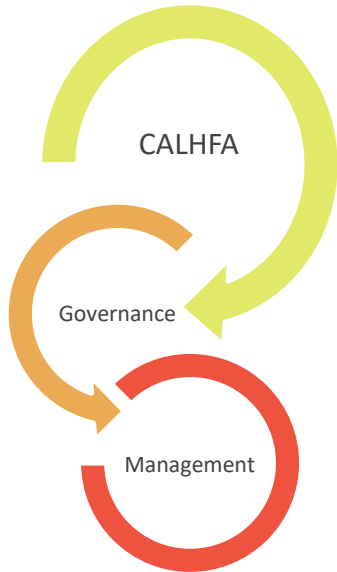
Do not divert a corporate business opportunity for your own personal gain, own organization, or for another entity.

Adhere to the rules of the Internal Revenue Code regarding self-dealing.

Do not take gifts from individuals or entities subject to the Agency's jurisdiction.



Governance Vs. Management



Governance

Organizational Oversight

Strategic Direction

Transparent Decision Making

Accountability, including financial reporting

Ensure the future and mission of the organization

Management

Day to Day Decisions

Internal Controls

Accounting Policies

Management Decisions

Fair Presentation of Financial Statements

Programs to Prevent and Detect Fraud





CALHFA GOVERNANCE REQUIREMENTS

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Open Meeting Requirement

- Meetings conducted in public with 10 days advance notice
 - In lieu of written board minutes, each meeting is recorded and is available on the CalHFA website
 - Currently all board meetings are live streamed via YouTube
- Only vote on matters properly noticed and on agenda
- Majority cannot communicate with each other for CalHFA business except in open meeting
- Closed sessions are limited – authorized by law and on agenda
- Emergency meetings can have less than 10 days notice under special circumstances



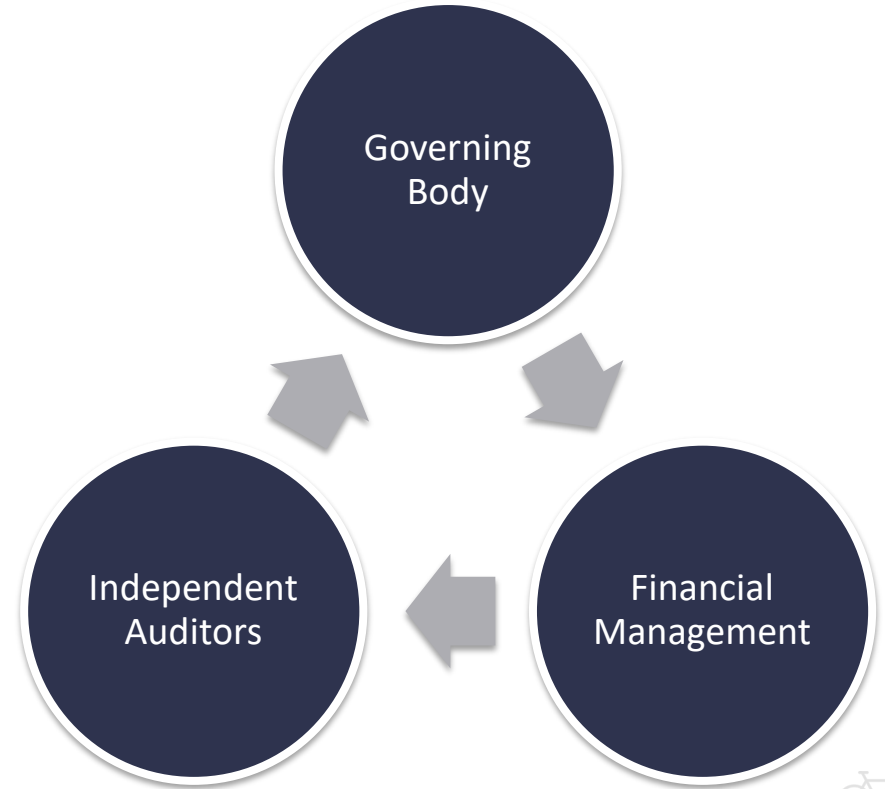
Duty of Disclosure of Economic Interests

- Rely on Agency's disclosure process
 - Annual completion of the Statement of Economic Interest - Form 700, which is filed with the Fair Political Practices Commission (FPPC)
- Reporting obligation if:
 - Knew, or
 - Should have known



Financial Oversight and Reporting Responsibilities

- Financial oversight is a core responsibility of the Board
 - That means that ALL board members equally share or have equal representation on the following:
 - Shared fiduciary responsibility within the organization
 - Understand the content and significance of financial statements and the audit



Two Advisory Committees



Role of the Audit Committee

Makes recommendations for selection and retention of auditors.

Review audit findings.

Reports to the Board.

Review and update the Committee's charter annually.



Role of the Executive Evaluation Committee

Evaluate the Executive Director and compensation of key exempt management.

Recommends evaluation of Executive Director to Board.

Develop compensation policies and procedures to attract and retain talent.

Review and discuss management succession.



Audit Committee Best Practices - Characteristics

- Possess a basic understanding of governmental financial reporting and auditing.
- Have access to at least one financial expert
- Enough members to ensure meaningful discussion and deliberation – minimum of 3.
- Exercise professional skepticism.



Audit Committee Best Practices - Duties

- Provide independent review and oversight of financial reporting processes, internal control and independent auditors.
- Establish procedures for receipt, retention and treatment of complaints regarding accounting , internal control, or auditing matters.
- Annually present to the full Board – written report of how it discharged its duties and met its responsibilities.





Digital Imprint

How your online presence effects your professional career

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Benefits of Social Media

- Open communication between CalHFA and the community
 - Have more open conversations to determine how CalHFA could better serve the community
- Easier to reach a larger audience
 - Spread information quickly about new programs CalHFA has to offer
- Easier to manage your reputational risk
 - Having a social media presence can allow you to see and hear rumors early on and address them quickly



Pitfalls of Social Media

- Makes it more difficult for organizations to control information
 - Information can be leaked prematurely, sometimes by accident
- New levels of transparency
 - Every move of your online presence is watched and that digital footprint lasts forever
 - Your connection to CalHFA means your views and opinions also reflect on the views and opinions of CalHFA
 - Email





Understanding of Fraud Risks at the Agency

Source: ACFE 2020 Global Study on Occupational Fraud and Abuse

NOTE: This study has not yet been updated for 2021

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OUR STUDY COVERED



2,504 CASES

from



125 COUNTRIES

Causing total losses of more than
\$3.6 BILLION



TYPICAL FRAUD CASE

lasts
14 MONTHS
before
detection

causes a
loss of
\$8,300
per month

CFEs ESTIMATE THAT
ORGANIZATIONS
LOSE

5% OF REVENUE
TO FRAUD
EACH YEAR

MEDIAN LOSS
PER CASE:

\$125,000

AVERAGE LOSS
PER CASE:

\$1,509,000

CORRUPTION

WAS THE
MOST COMMON
SCHEME IN EVERY
GLOBAL REGION



ASSET MISAPPROPRIATION
SCHEMES are the
most common and least costly

86%
OF CASES

\$100,000
median loss

FINANCIAL STATEMENT
FRAUD SCHEMES are the
least common and most costly

10%
OF CASES

\$954,000
median loss

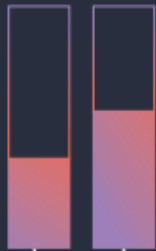


LEVEL OF AUTHORITY

Most occupational frauds are committed by employee-level or manager-level personnel. But frauds by owners/executives are much more harmful.



Organizations with **FRAUD AWARENESS TRAINING** for employees were **more likely** to gather tips through




FORMAL REPORTING MECHANISMS

56% of tips with training

37% of tips without training



43% OF SCHEMES WERE DETECTED BY TIP, and half of those tips came from employees 



TELEPHONE HOTLINE and EMAIL

were each used by whistleblowers in

33%
OF CASES

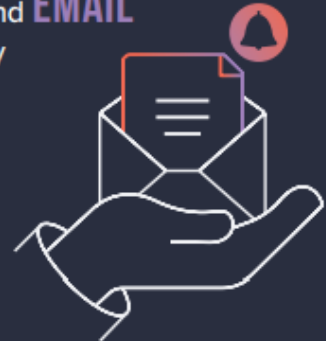
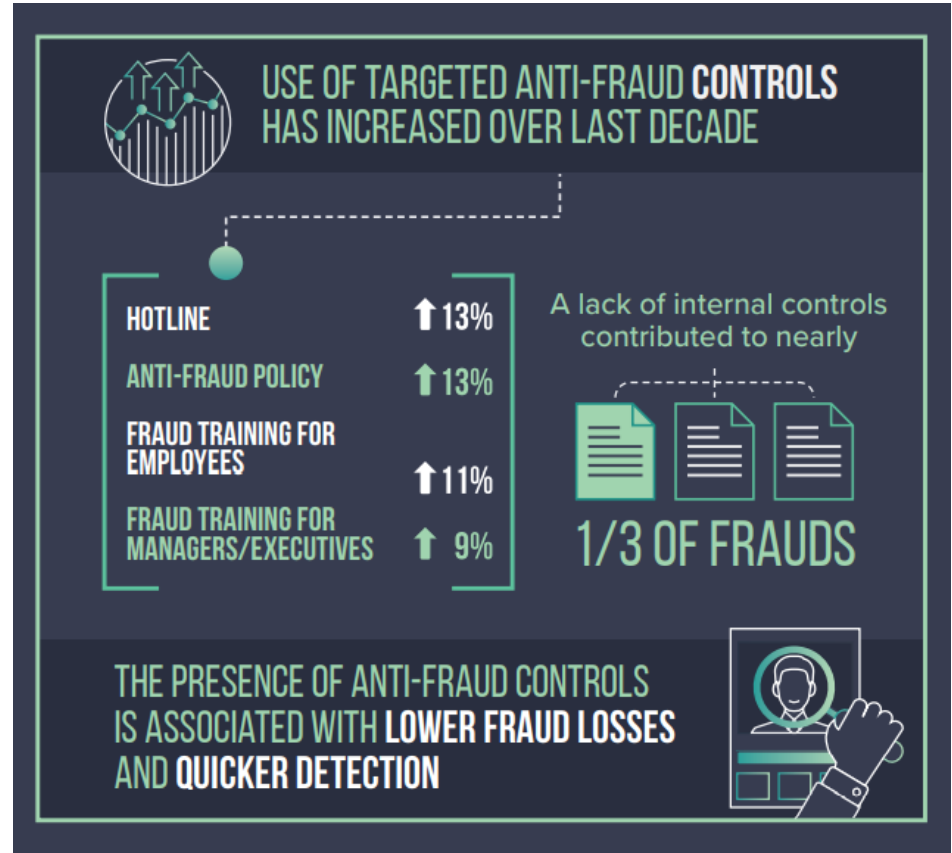
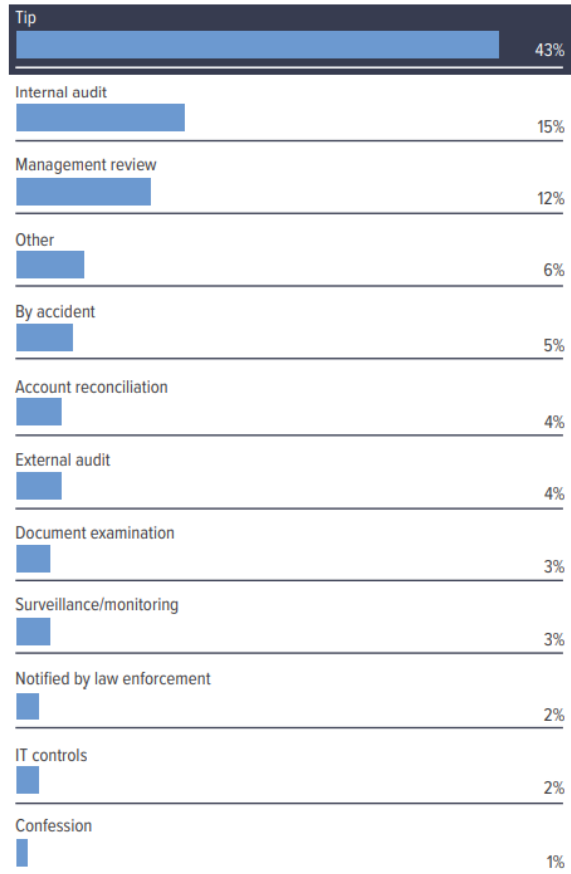




FIG. 9 How is occupational fraud initially detected?





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