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DATE: April 14, 2022

TO: Minnesota Housing Board Members

FROM: Jennifer Ho, Commissioner

SUBJECT: **FINANCE AND AUDIT COMMITTEE MEETING**

A meeting of the **Finance and Audit Committee** has been scheduled for **12:00 p.m. on Thursday, April 21** via Conference Call (info below).

The topics for discussion at this meeting are:

- A. RSM US LLP presentation launching the FY22 financial audit
- B. Other Business (if any)
- C. Adjournment

This committee is a committee of the whole and all members are encouraged to attend. If you have questions, please call Rachel Franco at (651) 296-2172.

Conference Call Information:

Toll-free dial-in number (U.S. and Canada):

1 866 901 6455

Access code:

892-402-788

The Agency may conduct a meeting by telephone or other electronic means, provided the conditions of Minn. Stat. §462A.041 or Minn. Stat. 13D.021 are met. The Agency shall, to the extent practical, allow a person to monitor the meeting electronically and may require the person making a connection to pay for documented marginal costs that the Agency incurs as a result of the additional connection.



Committee Agenda Item A
Date: 4/21/2022

Item: RSM US LLP Presentation Launching the FY22 Financial Audit

Staff Contact(s):

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Request Type:

- | | |
|-------------------------------------|--|
| <input type="checkbox"/> Approval | <input checked="" type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input checked="" type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input checked="" type="checkbox"/> Information |

Summary of Request:

Representatives from RSM US LLP, the Agency's external audit team, will discuss audit planning for the 2022 engagement. The discussion will include engagement terms, audit timing and scope and risk factors that include fraud and key transactions.

Fiscal Impact:

None

Meeting Agency Priorities:

- ☐ Improve the Housing System
- ☐ Preserve and Create Housing Opportunities
- ☐ Make Homeownership More Accessible
- ☐ Support People Needing Services
- ☐ Strengthen Communities

Attachment(s):

- RSM US LLP presentation

PRESENTATION TO THE AUDIT COMMITTEE MINNESOTA HOUSING FINANCE AGENCY

Audit Planning Communication



April 21, 2022

Engagement team

- Public sector
 - Corey Topp—Relationship lead, Partner
 - Bart Rodberg—Engagement lead, Senior Director
 - Rebekah Box—Manager
 - Eric Engblom—In-charge
- Financial institutions
 - Dave Antonson—Senior Director
 - Tony Schoenberg—Manager
 - Tom Imholte—In-charge
- Concurring reviewer
 - Dan Bonnette—Partner
- Information systems general controls review
 - Goktug Aksan—Director
 - Allison Shay —Supervisor

Summary of engagement terms

- Our audit procedures are designed to do the following:
 - Provide reasonable assurance that the financial statements are free of material misstatement.
 - Satisfy the requirements of *Government Auditing Standards*.
 - Satisfy the audit requirements imposed by the Single Audit Act and the Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
 - Address management's initial selection of, and changes in, significant accounting policies or their application; methods used to account for significant unusual transactions; and the effect of significant accounting policies in emerging areas.
 - Focus on accounting estimates that are particularly sensitive to the financial statements based on their significance and level of management judgment.
 - Communicate any disagreements with management about matters that could be significant to the financial statements.

Summary of engagement terms (continued)

- Our audit procedures are designed to do the following (continued):
 - Alert the Audit Committee of any significant errors, fraud or illegal acts identified during our audits.
 - Communicate adjustments, whether or not recorded by Minnesota Housing, that could, either individually or in the aggregate, have a significant effect on the Minnesota Housing's financial reporting process.
 - Communicate significant deficiencies and material weaknesses identified through our review of internal control over financial reporting.
- We will make the Audit Committee aware of significant written communications between RSM US LLP and Minnesota Housing during the year.
- We do not anticipate any scope limitations, which would cause us to qualify our audit opinions.
- Minnesota Housing will be considered to be a low-risk auditee for purposes of the performance of the Uniform Guidance audit.

Auditor's independence

Commitment to independence

- RSM US LLP employs a comprehensive, multifaceted approach to maintaining independence.
- Key components are as follows:
 - Culture that stresses the importance of independence
 - Pervasive consultation and monitoring processes
 - Strong policies that are clearly communicated
 - Chief ethics and compliance officer reports to CEO and Board of Directors
 - Training for all partners, principals and professionals
 - Restricted entity list and electronic tracking of personal financial holdings
 - Annual representations from partners, principals and employees
 - Internal inspection and audit process for compliance with policies
 - Disciplinary process for noncompliance
- 2018 Revision of Government Auditing Standards

Culture, Diversity and Inclusion (CDI)

RSM's commitment to CDI

- CDI is woven into our core values to foster an inclusive workforce.
 - Policies, annual training, hiring process, career development, retention
 - Employee network groups
- Important to bring diverse ideas and perspectives to our clients. Our CDI values promote an inclusive work environment to encourage all employees to contribute their perspectives.
- RSM was named one of America's "Best Employers for Diversity" for 2020 in Forbes and received honors from Working Mother Magazine as a best place to work.
- RSM's 2021 diversity report can be found at:
<https://diversityreport.rsmus.com/>

Audit services scope

- Communication to the Audit Committee
- Financial report
- Single audit report
- Control deficiencies and business improvement suggestions
- Information systems general controls review
 - Logical security and user access management
 - Change management and computer operations

Audit timing

Audit activities	Timing
Planning meeting with management	April 12, 2022
Audit Committee meeting to discuss audit plan	April 21, 2022
Information systems general controls review	May 5, 2022
Audit planning and preliminary procedures	May 23, 2022
Internal control procedures	May 23, 2022
Test of controls and compliance (Uniform Guidance audit)	June 21, 2022
Final audit fieldwork and reporting	August 10, 2022
Final reports due for mailing with Board agenda items	September 12, 2022
Board of Directors meeting to present 2022 audit results	September 22, 2022

Audit strategies

- Audit efficiencies
 - Information systems general controls review
 - Engagement team
 - Timing
- Concurring reviewer
 - Timing of involvement
- Remote work environment
 - Safety protocols
 - Continue to consider remote vs onsite

Key transactions/risks

- Financial statements
 - Revenue recognition
 - Management override of controls
 - Loans receivable and allowance for loan losses
 - Interest rate swap agreements
 - Covid-19 considerations
 - Information systems general controls review
- Single Audit
 - Scrutiny by regulators and funding sources
 - Five major programs for 2022
 - Section 8 Cluster ALN 14.182, 14.195
 - HOME ALN 14.239
 - Emergency Rental Assistance ALN 21.023
 - Homeowner Assistance Fund ALN 21.026
 - State and Local Fiscal Recovery Fund ALN 21.027

Fraud risk factors

- As required by AU Section 316, RSM US LLP, with the assistance of management and the Audit Committee, will compile a listing of potential fraud risk factors specific to Minnesota Housing.
- Major criteria considered are the following:
 - Areas more likely susceptible to fraud
 - Materiality
 - Financial performance versus budget and prior year
 - Revenue recognition policies and procedures
 - Significant judgments and estimates
 - Management structure and any changes
 - General systems environment
 - Current market and industry conditions
 - Understanding of business and history of errors

Adoption of accounting standards

Required to be adopted in future years

- 2022 – GASB Statement No. 87, *Leases*
- 2023 – GASB Statement No. 91, *Conduit Debt Obligations*
- 2022 – GASB Statement No. 92, *Omnibus 2020*
- 2022 – GASB Statement No. 93, *Replacement of Interbank Offered Rates*
- 2023 – GASB Statement No. 96, *Subscription-Based IT Arrangements*
- 2022 – GASB Statement No. 97, *Certain Component Unit Criteria and 457 Plans*

General comments and feedback


Thank you for allowing us to serve Minnesota Housing
Finance Agency

Our goal is to not only meet, but exceed, your
expectations.

Your feedback is important to us in achieving that goal.

Presented by: Corey Topp, Bart Rodberg, Dave Antonson,
Goktug Aksan, and Rebekah Box

THANK YOU FOR
YOUR TIME AND
ATTENTION



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