



BOARD OF DIRECTORS

California Housing Finance Agency Board of Directors

Audit Committee Meeting
November 21, 2019
9:30 a.m.

California State Teachers' Retirement System (CalSTRS)
100 Waterfront Place
West Sacramento, CA
916-414-5911

Agenda items may be taken out of order to accommodate speakers and to maintain a quorum

1. Roll Call
2. Chairman comments
3. Approval of the minutes of the March 27, 2019 Audit Committee meeting 1
4. Update from Information Technology (IT) on information security assessments, oversight requirements, and initiatives
5. Update on Audit
6. Annual review of the Committee Charter 3
7. Public comments
8. Adjournment

NOTES*

PARKING:

-CalSTRS PARKING UPDATE- Due to construction of a 10-story expansion tower at CalSTRS, the south entrance to the parking garage is closed to the public. 1) Parking is available at the Ziggurat parking garage (DGS offices) next door to CalSTRS at 707 3rd Street (\$1 per 20 minutes, \$15 daily maximum); 2) Minimal metered street parking is available for up to two hours.

REFRESHMENTS:

Available at Waterfront Café in CalSTRS. No food is allowed inside the Boardroom.

MINUTES

California Housing Finance Agency (CalHFA) Audit Committee Meeting March 27, 2019

Meeting noticed on March 14, 2019

1. ROLL CALL

The California Housing Finance Agency Audit Committee meeting was called to order at 11:01 a.m. by Chair Gunning. A quorum of members was present.

MEMBERS PRESENT: Gunning, Sotelo, Agee (for Ma)

MEMBERS ARRIVING
AFTER ROLL CALL: None

MEMBERS ABSENT: None

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

PRESENTER: Mandy Merchant, Principal, *CliftonLarsonAllen*

2. APPROVAL OF MINUTES – November 13, 2018

The minutes were approved by unanimous consent of members present.

3. CHAIRMAN COMMENTS

None

4. REVIEW AND DISCUSSION OF THE AUDIT RESULTS FOR FINANCE FUND FY ENDING JUNE 30, 2018:

Presented by Merchant

Merchant provided the Board with an overview of audit results from the California Housing Finance Fund Comprehensive Annual Financial Report (CAFR), the California Housing Finance Fund Popular Financial Report (PAFR), and the Single Audit Report. Her comments included:

- Early bond redemptions resulted in a decrease in cash and investments for the reporting period. The implementation of GASB 75 by CalPERS resulted in a \$12.7 million liability increase. She explained that the liability has

always existed, but due to state required reporting changes, it is now reflected in the audit.

- Single Audit of federal awards tested the Section 8 project-based cluster and there were no findings to report to the Board.
- A required deposit was not made in time to make the deadline of June 30, 2018. It was deposited on July 6, 2018. This did not result in a finding, but rather a comment in the Management letter from CLA.
- A new audit requirement is expected to be implemented at the beginning of 2020. The GASB 87 will require agencies to start accounting for leases, including leases for office equipment.

5. **DISCUSSION OF AUDIT SERVICES CONTRACT:**

Committee members and staff discussed extending the CLA contract for auditing services. A new team of auditors will be brought in from CLA to conduct future audits, with a 15% reduction in contract fees to the Agency. The Board agreed to a four year extension, with a one-year option, and will retain CLA as the Agency's independent auditor.

6. **PUBLIC COMMENT:**

None

7. **ADJOURNMENT:**

As there was no further business to be conducted, Chair Gunning adjourned the meeting at 11:49 a.m.

8. **HANDOUTS:**

- a. California Housing Finance Fund Results, June 30, 2018
- b. CliftonLarsonAllen Management Letter

RESOLUTION 06-15

RESOLUTION APPROVING AUDIT COMMITTEE CHARTER

WHEREAS, the California Housing Finance Agency (the "Agency") is required by law to have audited financial statements of both the California Housing Finance Fund, and the California Housing Loan Insurance Fund, and

WHEREAS, on January 12, 2006, the Board of Directors adopted Resolution 06-08, authorizing the creation of an audit committee of the Board; and

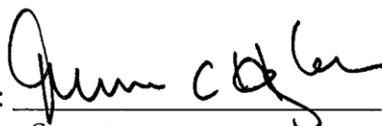
WHEREAS, the Chairman of the Board named Director Jack Shine as the Chairman of the audit committee, and Directors Carol Galante and Peter Carey as the additional members of the committee, as authorized by the terms of resolution 06-08; and

WHEREAS, the members of the committee and the staff of the Agency have developed a proposed charter for the committee;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors as follows:

1. The attached "Audit Committee Charter-May 2006" is hereby adopted by the Board.

I hereby certify that this is a true and correct copy of Resolution 06-15 adopted at a duly constituted meeting of the Board of Directors of the Agency held on July 6, 2006, at Sacramento, California.

ATTEST: 
Secretary

**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.

RESOLUTION 06-08

RESOLUTION APPROVING CREATION OF AUDIT COMMITTEE

WHEREAS, the California Housing Finance Agency (the "Agency") is required by law to have audited financial statements of both the California Housing Finance Fund, and the California Housing Loan Insurance Fund, and

WHEREAS, the staff of the Agency has recognized that both corporate and public boards are playing an increasingly direct role in the oversight of auditors and audited financial statements; and

WHEREAS, the staff of the Agency has recommended that the Board create an audit committee for the purpose of providing the Board with direct involvement with auditors in connection with the preparation and review of such financial statements, as well as the retention of auditors by the Agency; and

WHEREAS, the Board of Directors of the Agency recognizes that having a direct role in the audit process will constitute a sound financial practice that will assist both the auditors and staff in the preparation and review of the audits, and benefit the Board and the Agency generally;

WHEREAS, the Board has determined that the best method of providing such a role would be through the creation of an audit committee consisting of three voting members of the Board of Directors, to which the Board would delegate the authority to develop policies and procedures relating to the retention of auditors by the Agency, and which would otherwise act in an advisory capacity to the Board concerning audits and related financial matters;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors as follows:

1. There is hereby created an audit committee of the Board of Directors, consisting of three voting members of the Board, to be selected by the Chairman of the Board annually or as otherwise required to fill vacancies.

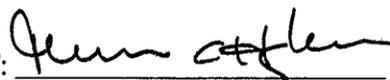
2. The audit committee shall generally be advisory to the full Board of Directors, provided, however, that the Board delegates to the audit committee the

1 authority to create any internal procedures regarding the selection and retention of
2 auditors that the committee may deem appropriate.

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4 3. The role of the audit committee shall be to meet with Agency staff and
5 outside auditors as necessary or desirable, to (i) develop any procedures necessary or
6 helpful in connection with the selection and retention of auditors; (ii) facilitate audits
7 of the Agency; (iii) review the scope of audits and any issues relating to such audits;
8 and (iv) to review proposed audit findings and other related financial issues. The
9 committee shall report to the full Board, at a regular meeting of the Board of Director
10 at least once a year , on the audit process and the results of such audits; and may take
11 such other actions as the Board may direct at such Board meetings .

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13 4. All meetings of the audit committee shall be open public meetings.

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15 I hereby certify that this is a true and correct copy of Resolution 06-08 adopted at a
16 duly constituted meeting of the Board of Directors of the Agency held on January 12,
17 2006, at Millbrae, California.

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21 ATTEST: 
22 Secretary
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