



400 Wabasha Street North, Suite 400
St. Paul, MN 55102
P: 800.657.3769
F: 651.296.8139 | TTY: 651.297.2361
www.mnhousing.gov

DATE: April 16, 2020
TO: Minnesota Housing Board Members
FROM: Jennifer Leimaile Ho, Commissioner
SUBJECT: **FINANCE AND AUDIT COMMITTEE MEETING**

A meeting of the **Finance and Audit Committee** has been scheduled for **11:30 a.m.** on **Thursday, April 23** via conference call (See below for conference call information).

The topics for discussion at this meeting are:

- A. RSM US LLP presentation launching the FY20 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
Toll-free dial-in number (U.S. and Canada):
(888) 742-5095
Conference code:
4014552918



Committee Agenda Item: A
Date: 4/23/2020

Item: RSM US LLP presentation launching the FY20 financial audit.

Staff Contact(s):

Debbi Larson, 651.296.8183, debbi.larson@state.mn.us
Kayla Vang, 651.296.3598, kayla.vang@state.mn.us

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 the RSM US LLP, the Agency's external audit team, will discuss audit planning for the 2020 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:

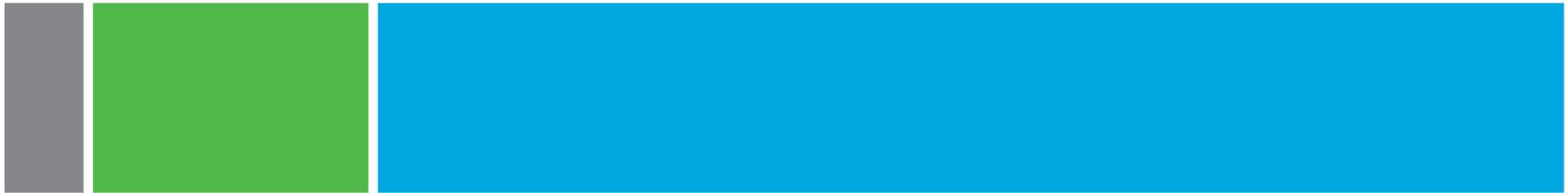
- Improve the Housing System
- Preserve and Create Housing Opportunities
- Make Homeownership More Accessible
- Support People Needing Services
- Strengthen Communities

Attachment(s):

- RSM US LLP presentation

PRESENTATION TO THE AUDIT COMMITTEE MINNESOTA HOUSING FINANCE AGENCY

Audit Planning Communication



April 23, 2020

Engagement team

- Public sector
 - Bart Rodberg—Engagement lead senior director
 - Drew Erickson—Engagement manager
 - Eric Engblom—Engagement In-charge
- Financial institutions
 - Hank Donatell—Relationship and FI Partner
 - Dave Antonson—FI Senior manager
 - Karly Flores—FI In-charge
- Concurring reviewer
 - Dan Bonnette—Public Sector Partner
- Information technology
 - Goktug Aksan—Manager

Summary of engagement terms

- Our audit procedures are designed to 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 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 continue to be considered to be a high-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

Audit services scope

- Communication to the Audit Committee
- Financial report
- Single audit report
- Control deficiencies and business improvement suggestions
- Information systems analysis

Audit timing

Audit activities	Timing
Planning meeting with management	March 5, 2020
Audit Committee meeting to discuss audit plan	April 23, 2020
Information technology procedures	April 27, 2020
Audit planning and preliminary procedures	May 11, 2020
Internal control procedures	May 11, 2020
Test of controls and compliance (Uniform Guidance audit)	June 8, 2020
Final audit fieldwork and reporting	August 3, 2020
Final reports due for mailing with Board agenda items	August 19, 2020
Board of Directors meeting to present 2020 audit results	August 27, 2020

Audit strategies

- Audit efficiencies
 - Information technology
 - Engagement team
 - Timing
- Concurring reviewer
 - Timing of involvement

Key transactions/risks

- Financial statements
 - Revenue recognition
 - Management override of controls
 - Information system assessment
 - Loans receivable
 - Interest rate swap agreements
 - Covid-19 considerations
- Single Audit
 - Scrutiny by regulators and funding sources
 - Two major programs for 2020
 - Section 8 Performance-Based Contract Administrator CFDA 14.327
 - National Housing Trust Fund (first time major program) CFDA 14.275

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 2020*

- GASB Statement No. 84, *Fiduciary Activities*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*

Required to be adopted in future years*

- 2021 – GASB Statement No. 87, *Leases*
- 2021 – GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- 2022 – GASB Statement No. 91, *Conduit Debt Obligations*
- 2022 – GASB Statement No. 92, *Omnibus 2020*
- 2021 – GASB Statement No. 93, *Replacement of Interbank Offered Rates*

*GASB is considering issuing an exposure draft in April 2020 to delay issuance of all pending GASB statements by one year)

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, Hank Donatell, Bart Rodberg, Dave Antonson and
Drew Erickson

THANK YOU FOR
YOUR TIME AND
ATTENTION



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