



MEETINGS SCHEDULED FOR FEBRUARY

Minnesota Housing
400 Wabasha Street N. Suite 400
St. Paul, MN 55102

THURSDAY, FEBRUARY 23, 2023

Finance & Audit Committee Meeting
11:30 a.m.

Hybrid Option Available:

In Person: Lake Superior Conference Room- Fourth Floor
OR
Conference Call: 1-877-568-4108 | **Access Code:** 806-869-594

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Thursday, February 23, 2023.

Items requiring approval are neither effective nor final until voted on and approved by the Minnesota Housing Board.

The Agency may conduct a meeting by telephone or other electronic means, provided the conditions of Minn. Stat. §462A.041 are met. In accordance with Minn. Stat. §462A.041, 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.

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DATE: February 16, 2023

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 **11:30 a.m. on Thursday, February 23** via in person or Teams (info below).

The topics for discussion at this meeting are:

- A. Call to Order
- B. Chief Risk Officer Report
- C. 2022 Conflict of Interest Disclosure Report
- D. Risk Management and Internal Control Framework
- E. Additions to the Agency Participant Suspension List
- F. Other Business (if any)
- G. 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):
1-877-568-4108

Access code:
806-869-594

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.

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Finance and Audit Committee Item: B
Date: 02/23/2023

Item: Chief Risk Officer Report

Staff Contact(s):

Mike Thone, 651.296.9813, Mike.Thone@state.mn.us

Rachel Robinson, 651.297.3125, Rachel.Robinson@state.mn.us

Request Type:

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

Summary of Request:

This is an update from the Chief Risk Officer regarding the status of conflict of interest, misuse of funds, and fraud/embezzlement investigations for the period July 1, 2022, to December 31, 2022. The last Chief Risk Officer Report was made August 25, 2022, covering the period of July 1, 2021, through June 30, 2022.

The next semi-annual report is expected to be delivered to the board in August 2023, for the period covering January 1, 2023, to June 30, 2023.

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):

- Background
- Exhibit 1: Status of Conflict of Interest, Misuse of Funds, and Fraud/Embezzlement Investigations Opened by the Agency or Chief Risk Officer, for the period 7/1/22 – 12/31/22
- Exhibit 2: RentHelpMN program potential fraud status update, for the period 7/1/22 – 12/31/22
- Exhibit 3: HomeHelpMN program potential fraud status update, for the period 7/1/22 – 12/31/22

Background

Minnesota Housing has established procedures by which the Chief Risk Officer or other staff receive and address allegations of conflict of interest, misuse of funds, and fraud/embezzlement related to agency operations or agency programs.

The Minnesota Housing Risk Management and Internal Control Framework contemplates the Chief Risk Officer report regularly to the board of directors on status of such allegations. The typical process is to report every six months.

This report includes separate categories for the RentHelpMN and HomeHelpMN programs. Those programs are federally funded COVID-19 emergency direct assistance programs that are unique in scope, structure, federal requirements, and risks from the agency's standard operations and programs. The agency is required to follow the program structure set out in federal guidelines and, for RentHelpMN, processed a significant number of applications in a very short period of time given the emergency nature of those funds.

By separating out the federal emergency relief programs from the standard reporting structure, staff are better able to illustrate some of the unique characteristics of these programs, while demonstrating that the volume of risk-related challenges appear limited to those programs. One unique factor to be aware of is that in this report each application is a "case", while there may be one person or entity associated with many cases/applications. Staff is also being as transparent as possible by including all submitted applications for assistance that were determined to be potential attempted fraud. As the numbers reflect, the largest number of applications that are reported are applications where it was identified that the application was potentially fraudulent before a payment was made.

The RentHelpMN program stopped accepting new applications in January 2022 and had finalized processing on all applications by the end of 2022. The HomeHelpMN program is currently accepting applications.

Minnesota Housing, as a state housing finance agency, is not structured as an investigative body and does not have statutory investigatory or enforcement authority. The Agency conducts a thorough review of applications and otherwise coordinates with law enforcement, investigatory bodies, and the Minnesota Attorney General's office for appropriate next steps related to cases of suspected or potential fraud.

Exhibit 1 informs the Board about the number of non-federal direct assistance program conflict of interest, misuse of funds, and fraud/embezzlement investigations opened, resolved, and still in-process for the period.

Exhibit 1

Status of Non-Federal COVID Direct Assistance Program Conflict of Interest, Misuse of Funds, and Fraud/Embezzlement Investigations Opened by the Agency or Chief Risk Officer For the Period 7/1/22 – 12/31/22				
Allegation Type	Investigations in-process as of 7/31/22	Investigations Opened During Period	Investigations Resolved During Period	Comments Regarding Investigations
Alleged Conflict of Interest (COI)	0	0	0	No investigations in-process
Alleged Misuse of Funds (MOF) less than \$50,000	0	0	0	No investigations in-process
Alleged Misuse of Funds (MOF) greater than \$50,000	0	0	0	No investigations in-process
Alleged Fraud/Embezzlement	3	0	3	<ul style="list-style-type: none"> One case was resolved after determining no Agency funds were embezzled One allegation was found to be unsubstantiated Repayment of embezzled grant funds resolved the third case No investigations are in-process
Summary	3	0	3	0 cases in process

Exhibit 2 informs the Board about the number of **RentHelpMN federal direct assistance program** fraud/embezzlement reports opened, resolved, and still in-process for the period.

Exhibit 2

**RentHelpMN COVID Direct Assistance Program
Fraud/Embezzlement Investigations and Other Details
For the Period 7/1/22 – 12/31/22**

Fraud-Related Reports Received/Investigations Opened, Resolved, and In-Process

- 8 = Cases in-process as of 6/30/22 (prior period)
- 5 = Cases in-process as of 6/30/22 (prior period) that were resolved during this reporting period
- 20 = Total number of investigations opened during the reporting period in response to fraud-related reports received from contractor staff, EthicsPoint hotline, email and other sources, made up of:
 - 0 = reports/applications received by contractor fraud investigator from contractor staff
 - 18 = reports received from MHFA EthicsPoint hotline
 - 2 = reports received by MHFA Chief Risk Officer from email or other sources
- 20 = Reports received and resolved during the reporting period
- 3 = investigations in-process as of 12/31/22

Applications Denied for Potential Attempted Fraud (before payment made)

- 2 = Total number of applications denied for potential attempted fraud before payment made
- \$19,782 = Total aggregate amount of assistance requested in those (2) applications that were denied for potential attempted fraud before payment was made
- These applications are not counted as submitted assistance requests for the purposes of Treasury and program dashboard reporting

Applications Paid and Later Determined to be Potentially Fraudulent

- 95 = Total number applications paid that were later determined to be potentially fraudulent and not yet recouped
- \$1,303,460 = Total aggregate amount of assistance paid on the 95 applications determined to be potentially fraudulent

Recoupment of Paid Applications Later Determined to be Potentially Fraudulent

- 8 = Total number of recouped applications paid that were later determined to be potentially fraudulent
- \$97,202 = Total aggregate dollars recouped for those 8 paid applications later determined to be potentially fraudulent

Cases Under Review with External Law Enforcement

- 690 = Total number of applications referred to external law enforcement offices for additional investigation or to the Minnesota Attorney General's Office for review and evaluation, made up of:
 - 342 = Number of applications that remain under review and evaluation with external law enforcement from the prior reporting period. Made up of 352 applications from the prior period less 10 that were resolved in the current reporting period. (Note: this includes paid and unpaid applications relating to specific entities and individuals under

further review for potentially fraudulent activity and includes some duplication of applications reported above)

- 348 = Number of new applications referred to external law enforcement offices for additional investigation in the reporting period
- 135 = Number of applications pending further review in partnership with the Bureau of Criminal Apprehension (BCA) to determine if investigation for fraud is warranted

Exhibit 3 informs the Board about the number of **HomeHelpMN federal direct assistance program** fraud/embezzlement investigations opened, resolved, and still in-process for the period.

Exhibit 3

<p style="text-align: center;">HomeHelpMN COVID Direct Assistance Program Fraud/Embezzlement Reports Received, Investigation Statuses and Other Details For the Period 7/1/22 – 12/31/22</p>

Fraud-Related Reports Received/Investigations Opened, Resolved, and In-Process (reports received from all sources)

- Seventy-one applications were referred for potential fraud by contractor staff to the contractor fraud investigator for review/investigation. These applications aggregated to \$1,282,376 of assistance requested. Seven of those applications were denied for potential fraud; no assistance payments were made for those applications
 - Of the 71 contractor staff applications referred for review/investigation, 11 investigations remained in-process as of 12/31/22
- There were seven reports of potential fraud received from the MHFA EthicsPoint hotline or from MHFA program staff.
 - Six of the seven fraud investigations generated by reports of potential fraud received from the EthicsPoint hotline or from MHFA program staff were completed/resolved
 - One of the seven fraud investigations generated by reports of potential fraud received from the EthicsPoint hotline or from MHFA program staff remained in-process as of 12/31/22
- There were no instances of applications paid where it was later discovered after payments made that the applications were potentially fraudulent. There were no applications referred to law enforcement for investigation of potential fraud



Finance and Audit Committee Item: C
Date: 2/23/2023

Item: 2022 Conflict of Interest Disclosure Report

Staff Contact(s):

Mike Thone, 651.296.9813, Mike.Thone@state.mn.us

Rachel Robinson, 651.297.3125, Rachel.Robinson@state.mn.us

Request Type:

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

Summary of Request:

The purpose of this agenda item is to give a brief overview of the conflict of interest disclosure processes and provide the Board with the results of the 2022 conflict of interest disclosure reviews.

The last Conflict of Interest Disclosure Reporting Board Report was presented June 23, 2022; later than usual because completion of the 2021 annual conflict of interest disclosure update took longer than expected. The next report is expected to be delivered February 2024.

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):

- Background
- 2022 conflict of interest disclosure review results

Background:

It is Minnesota Housing's policy that all Agency employees, including contractors and interns, be aware of, and make every effort to avoid actual and potential conflicts of interest, including the "appearance" of conflicts of interest. Effective January 1, 2022, Minnesota Management and Budget (MMB) issued HR/LR Policy #1445, Code of Ethical Conduct. The new MMB policy provides updated information, including new standards and requirements that all executive agencies and employees must comply with. The policy also includes an updated Code of Ethical Conduct Acknowledgement form and a new Conflict of Interest Disclosure form which must be completed annually by all executive agency staff and management personnel. The new policy also requires the Agency to conduct conflict of interest screening for outside employment during the background check process prior to hiring new employees. It also requires the Agency to formally designate an Agency Ethics Officer. Minnesota Housing designated the General Counsel as the Agency's Ethics Officer with the Chief Risk Officer serving as back-up. These new MMB policy standards have been incorporated into the Agency's existing ethics and conflict of interest policies and procedures documented in the Minnesota Housing Employee Policies & Procedures Manual.

Annually, all employees are required to complete the MMB Conflict of Interest Disclosure Form. The form asks employees to disclose all external affiliations and business interests they and their immediate family members have (companies, partnerships, boards, councils, second employment, consulting contracts, or other applicable entities), which may present conflicts with their official Agency duties. Any employees who identify personal or familial affiliations that present conflict of interest risk, as determined by the Deputy Commissioner, General Counsel, and Chief Risk Officer, are issued a Conflict of Interest Actions Memorandum which outlines actions the individual and their immediate supervisor must follow to avoid or mitigate the conflict risk. The employee's immediate supervisor, General Counsel, Deputy Commissioner, and Director of Human Resources are copied on the memorandum.

Agency conflict of interest procedures also require employees to request approval prior to accepting external employment or other external affiliation (e.g., Board membership). For each request, the General Counsel and Chief Risk Officer evaluate the request for conflict of interest risk. If determined that conflict of interest risk is present, the request may be denied or approved with issuance of a Conflict of Interest Actions Memorandum which outlines the actions the employee and immediate supervisor must follow to avoid or mitigate the conflict risk.

Results of the 2022 Conflict of Interest Disclosure Review:

- Beginning late summer of 2022, 275 employees and contract staff electronically completed the new MMB Conflict of Interest Disclosure form.
- Twenty-nine of the 275 employees identified personal or familial affiliations, or other situations, that were evaluated for conflict of interest risk. Twenty-five of those 29 employees were issued a Conflict of Interest Actions Memorandum.
- During calendar 2022, 13 requests to accept external employment or other external membership were received. One of the requests was denied for conflict of interest risk reasons. Twelve requests were approved; two of those 12 approvals were coupled with a Conflict of Interest Actions Memorandum.
- During calendar 2022, 69 Human Resource Finalist and new staff (including internship and contract employee) Conflict of Interest Disclosure forms were reviewed. Nine of the 69 finalists and new staff were issued Conflict of Interest Actions Memorandum.



Item: Risk Management and Internal Control Framework

Staff Contact(s):

Rachel Robinson, Deputy Commissioner, 651.297.3125, Rachel.Robinson@state.mn.us

Mike Thone, Chief Risk Officer, 651.296.9813, Mike.Thone@state.mn.us

Request Type:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Approval (Request #1) | <input checked="" type="checkbox"/> No Action Needed (Request #2) |
| <input checked="" type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input type="checkbox"/> Resolution | <input checked="" type="checkbox"/> Information |

Summary of Request:

- 1) Approval/Motion item: The Risk Management Committee approved several minor edits to the Risk Management and Internal Control Framework (Framework), last approved by the Board on June 22, 2022. Staff requests Board approval of an updated Framework document to be made effective February 23, 2023.
- 2) Information item: The Chief Risk Officer identified one instance of non-compliance with Framework requirements for discussion with the Board's Finance and Audit Committee.

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):

- Background, including Framework compliance review results
- Risk Management and Internal Control Framework (redline draft)
- Risk Management and Internal Control Framework (clean draft)

Background:

Board Resolution No. MHFA 20-039 requires, in part, that Agency staff review at least annually with the Board's Finance and Audit Committee:

1. The Agency's Risk Management and Internal Control Framework.
2. Agency compliance with the Risk Management and Internal Control Framework.

The Risk Management Committee (RMC) reviewed the Risk Management and Internal Control Framework document at its December 13, 2022 meeting and identified several minor edits and updates. Additional updates were identified at the January 10, 2022 RMC meeting. The updated Framework document is presented below for Finance and Audit Committee's review and consideration. Staff requests approval of the updated Framework to be made effective February 23, 2023.

The Framework outlines many specific actions that must be completed by Agency staff, some within specific timeframes. The Chief Risk Officer reviewed the Framework to identify those specific compliance requirements and determine if staff completed those tasks within required timeframes. The following compliance exception was noted:

- Agency Risk Profile (heat map report): The Framework requires this project be completed biennially. The last Agency Risk Profile was completed in 2019, with the report presented at the February 27, 2020 Finance and Audit Committee meeting. Staff was scheduled to complete the Agency Risk Profile in 2021 and 2022 but capacity limitations in both years prevented completion of the project. The RMC is currently considering alternative risk assessment processes to replace the Agency Risk Profile because 1) the RMC believes the current Agency Risk Profile process would not produce an effective evaluation of the risk environment the Agency is currently operating under; and 2) the Agency Risk Profile is a heavily resource intensive project, including use of software that carries an expensive annual licensing fee.



Risk Management and Internal Control Framework

(Effective February 23, 2023)

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Chapter 1 – Introduction and Overview

Minnesota Housing Risk Management and Internal Control Framework

Minnesota Housing (Agency) has adopted a formal Risk Management and Internal Control Framework (Framework) for managing its risks and internal controls. The Framework was established by the Agency's Board of Directors, Commissioner, and Risk Management Committee ([RMC](#)) for the purpose of documenting how the Board and management will identify and respond to potential events (risks) that may impact achievement of the Agency's objectives and overall mission.

This Framework document establishes the Agency's Risk Management Policy (Chapter 2), emphasizes that managing risks and internal controls is an essential part of the management process, [identifies risk management and internal control responsibilities \(Chapter 3\)](#), and outlines the Agency's key risk management and internal control ~~strategies and components processes~~ [\(Chapter 4\)](#) designed to promote:

- Efficient and effective operations;
- Reliable reporting for internal and external use;
- Compliance with applicable laws and regulations;
- Safeguarding of assets, including protection of the Agency's reputation.

Terms and Definitions

Risk: The chance of something happening that may have a material impact on the Agency's achievement of its mission, Strategic Plan, Affordable Housing Plan, and other goals and objectives.

Risk Management: The Agency's coordinated activities to identify, analyze, evaluate, and respond to risks.

Internal Control: A process effected by the Minnesota Housing Board, management and staff that provides reasonable assurance that the objectives of the Agency will be achieved. Internal control comprises the plans, methods, policies, and procedures used to fulfill the Agency's mission, Strategic Plan, Affordable Housing Plan, and other goals and objectives.

Risk Responses: Possible responses to identified risks are listed below.

- Acceptance - No action is taken to respond to the risk-
- Avoidance - Action is taken to stop or modify the operational process or the part of the operational process causing the risk
- Reduction/mitigation – Internal control actions are taken to reduce the likelihood or magnitude of the risk
- Sharing - Action is taken to transfer or share risks across the entity or with external parties, such as insuring against losses

Principles of the Risk Management and Internal Control Framework

The Framework is based on the following key principles. Risk management and internal control is:

- The responsibility of all appointees, managers, employees, and contractors
- Part of all organizational processes
- Part of decision making

- Explicit in addressing uncertainty
- Structured, timely and cost effective
- Based on the best available information
- Transparent and inclusive
- Responsive to change

Categories of Risk

The risks facing the Agency can result from both internally and externally driven factors. Within four broad categories the following list identifies the risks that may be relevant to the Agency (this list is not exhaustive or all-encompassing). [It is important to note that](#) risk categories [can and do](#) intersect with each other.

1. Strategic Risk	2. Financial Risk	3. Operational Risk	4. Legal Risk
<ul style="list-style-type: none"> • Reputation • Business Model • Organizational Structure • Resource Allocation • Planning / Execution* • Competition / Industry Changes • Legislative 	<ul style="list-style-type: none"> • Federal Resources* • State Appropriations* • Bond Markets* • Interest Rates* • Loan Performance* • Counterparties*, such as: <ul style="list-style-type: none"> ○ GSEs ○ Credit Rating Agencies ○ Non-profit Partners ○ Sponsors and Developers ○ Correspondent Lenders 	<ul style="list-style-type: none"> • Program Management • Budgeting • Human Resources / Operational Capacity* • Information Technology* • Integrity • Culture • Counterparties*, such as: <ul style="list-style-type: none"> ○ Grantees ○ Sub-Grantees ○ Borrowers ○ Brokers and Realtors • Vendors • Business Continuity* 	<ul style="list-style-type: none"> • Regulatory Compliance* • Fraud/Misuse of Funds/Conflict of Interest

* Denotes risks identified by the Board and Agency RMC that are routinely discussed during RMC meetings, and periodically assessed during the completion of the bi-annual Agency Risk Profile (heat map) project.

Chapter 2 – Risk Management and Internal Control Policy

In support of its mission and objectives, Minnesota Housing is committed to, and places a high priority on managing its risks and internal controls strategically and systematically.

Risk management and internal control is an integral part of the Agency's approach to decision making and accountability. Implementation begins with the Board of Directors and Commissioner, and is applied through all levels of the Agency. All Agency management and

staff are required to integrate sound risk management and internal control procedures and practices into their daily activities.

Risk is a fundamental component in Agency activities and is managed to produce the best outcomes for the Agency over time. The intent of risk management is not to eliminate risk but rather to assist Agency staff to manage the risks related to their responsibilities so that the Agency mission and objectives are achieved. Minnesota Housing's risk management and internal control program is managed by the RMC with day-to-day activities coordinated by the Chief Risk Officer and other senior staff. The RMC, together with the Finance and Audit Committee of the Board, is authorized to implement all actions necessary to ensure the Agency maintains effective risk management and internal control systems.

This Framework adopts the United States Government Accountability Office, *Standards for Internal Control in the Federal Government*, also known as the *Green Book*, as the model and criteria the Agency will use to design, implement, and operate an effective risk management and internal control system. The Green Book identifies five internal control components and 17 principles necessary for an effective risk management and internal control system. This Framework serves as a companion to the Minnesota Management and Budget (MMB) Statewide Operating Policy 0102-01, *Internal Control System*.

Chapter 3 - Responsibilities for Agency Risk Management and Internal Control

Board of Directors

- Demonstrate a commitment to integrity and ethical values (i.e., provide strong “Tone at the Top”)
- Approve the Minnesota Housing Risk Management and Internal Control Framework
- Oversee management’s resource allocation and implementation and operation of the Agency’s risk management and internal control processes
- If necessary, sign the annual Internal Control System Certification for submission to [MMB](#)
- Periodically review the Agency’s compliance with the Risk Management and Internal Control Framework’s policy requirements
- Other functions, as necessary, and as outlined in Resolution No. MHFA20-039: Resolution - Establishing a Finance and Audit Committee (See Appendix 1)

Commissioner and Deputy Commissioner

- Demonstrate a commitment to integrity and ethical values (i.e., provide strong “Tone at the Top”) and require that management and staff do the same
- Establish an organizational structure, assign responsibility, and delegate authority to achieve the Agency’s objectives and mission
- Establish and maintain a culture of risk awareness and support for internal controls

- [Establish retaliation-free mechanisms and communication channels for staff to report suspected violations of the Code of Ethical Conduct Policy, internal control weaknesses, irregularities, or illegal conduct, and determine and follow the agency's process for investigating and resolving such reports](#)
- [Notify law enforcement and/or the Office of the Legislative Auditor as required by law, rule, regulation or policy; and report to the Office of the Legislative Auditor in writing when there is probable cause that a substantial violation of Minnesota Statute Chapter 43A \(relating to ethics\) has occurred](#)
- [Notify the Office of the Legislative Auditor if information is obtained indicating that public money or other public resources may have been used for an unlawful purpose, or if information is obtained that government data classified by Minnesota Statutes Chapter 13 as not public may have been accessed by, or provided to, a person without lawful authorization](#)
- Chair the [RMC](#)
- If necessary, sign the annual Internal Control System Certification for submission to MMB
- Provide managers and staff with support and training to effectively fulfill their risk management and internal control responsibilities

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Risk Management Committee (RMC)

The RMC meets periodically to address matters as needed. A majority of the members must be present for the purpose of conducting RMC business. Consensus decision making is the goal for the RMC. The RMC is comprised of the following members:

- Commissioner - Chair
- Deputy Commissioner –Co-Chair
- Chief Risk Officer – RMC coordinator and meeting facilitator
- General Counsel
- Chief Information Officer
- Chief Financial Officer
- Assistant Commissioner – Single Family Division
- Assistant Commissioner – Multifamily Division
- Assistant Commissioner – Policy
- Director of Human Resources

RMC responsibilities include, but are not limited to:

- Develop the Agency Risk Management and Internal Control Framework, and update as needed
- Evaluate, prioritize and approve the Agency's risk management and internal control activities
- Complete the Agency Risk Profile, including review and approval of the Agency Risk Profile report for presentation to the Board
- Complete the annual Internal Control System Certification; approve certification supporting documentation (i.e., Control Self-Assessment Tool, Risk Assessment Plan) for presentation to the Board Chair for review and execution of the certification form
- Provide input for and approval of risk assessment project scopes and strategies; review risk assessment project results; approve process improvement and corrective

- action measures, as applicable
- Periodically examine the Agency's risk tolerances (i.e., the amounts and types of risk the Agency is willing to pursue or retain)

Chief Risk Officer

In addition to the responsibilities related to the facilitation and coordination of the RMC, the [Chief Risk Officer](#) will also:

- Coordinate the annual Conflict of Interest Disclosure update; present results to the Board; collaborate with the [General Counsel and](#) Deputy Commissioner, as needed, to determine actions required by staff to mitigate conflict of interest risk, and/or to approve staff requests for external employment and/or external board or other membership
- Manage the [third party vendor reporting hotline](#)
- Collaborate with the Legal Division to triage and investigate reports of fraud, misuse of funds, conflicts of interest or other concerns; provide periodic reports regarding the status of investigations to the RMC and the Board
- Collaborate with management and staff to complete risk assessment projects as scheduled in the Agency Risk Assessment Plan
- Collaborate with the Human Resources Division to ensure all new staff complete required risk management and ethics training within 60 days of starting at the Agency, and annually thereafter; ensure all managers and staff complete annual [Code of Ethical Conduct training and acknowledgement, and Conflict of Interest training and disclosure](#)
- Collaborate with the Human Resources and Communications Divisions to develop and update as needed, risk management and internal controls-related training for Agency staff

Commented [TM(2): Recommending generic language for this bullet because the Agency is in process of doing an RFP for our hotline vendor services which could result in moving to a vendor other than Navex.

Commented [TM(3): Language changes made to align with MMB HR/LR Policy #1445, effective 1/1/22.

Managers (including members of the RMC, as applicable)

- Demonstrate a commitment to integrity and ethical values
- Demonstrate a commitment to recruit, develop, and retain competent staff
- Evaluate staff performance and hold staff accountable for their risk management and internal control responsibilities
- Define clear and measurable objectives to enable the identification of risks to those objectives
- Identify, analyze and respond to risks relating to the achievement of defined objectives
- Consider the potential for fraud when identifying, analyzing and responding to risks
- Identify, analyze and respond to significant internal and external changes that could impact the risk management and internal control systems
- Design control activities to achieve objectives and respond to risks
- Design the information system and related control activities to achieve objectives and respond to risks
- Implement control activities through policies
- Make sure that information received from internal and external sources is reliable for decision making
- Communicate accurate and reliable information internally and externally as necessary to achieve Agency objectives
- Establish activities for monitoring and evaluating Agency risk management and internal control systems and processes

- Remediate identified risk management and internal control deficiencies on a timely basis
- Coordinate with the legal division to determine if risk management and internal control processes, practices and treatments are compliant with regulatory, statutory, program rule, program guide and policy requirements
- Alert member of Servant Leadership Team , direct supervisor, or [Chief Risk Officer](#) of significant risk or internal control concerns
- [Notify a member of the Servant Leadership Team or the Chief Risk Officer when there is probable cause that a substantial violation of Minnesota Statute Chapter 43A \(relating to ethics and/or conflict of interest\) has occurred](#)
- [Notify a member of the Servant Leadership Team or the Chief Risk Officer if information is obtained indicating that public money or other public resources may have been used for an unlawful purpose, or if information is obtained that government data classified by Minnesota Statutes Chapter 13 as not public may have been accessed by, or provided to, a person without lawful authorization](#)
- Attend [RMC](#) meetings as required
- Attend risk management and internal control-related training sessions as required

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Staff

- Demonstrate a commitment to integrity and ethical values
- Identify, analyze, evaluate and respond to risks impacting their job objectives
- Maintain an awareness of risks (current and potential) relating to their job and areas of responsibility
- Actively support and contribute to risk management and internal control initiatives
- Alert members of [Servant Leadership Team](#), direct supervisor or [Chief Risk Officer](#) of significant risk and internal control concerns
- Attend risk management and internal control-related training sessions as required

Chapter 4 – Key Risk Management and Internal Control Framework Components

- **Training:** Staff complete ethics, risk management and internal control-related training within 60 days of starting employment at the agency and annually thereafter. The training includes but is not limited to the following:
 - Risk management webinar (includes ethics, fraud prevention, conflict of interest, data practices, required disclosures)
 - Code of [Ethical Conduct](#) webinar and [acknowledgement](#)
 - Prohibition of harassment and sexual harassment
 - Information security
- **Policies and procedures, including program guides:** Keep current policies and procedures pertaining to key duties, tasks, and responsibilities.
- **Board Reporting:** The Agency holds monthly board meetings where the Servant Leadership Team and other staff provide information to the Board regarding all aspects of the Agency's business, including, as necessary, matters relating to risk management and internal controls.
- **Agency Risk Profile:** A risk profile is the periodic identification, analysis and documentation of critical risk sources to an organization; risks that could impact the organization's ability to achieve its stated objectives over a future time period. Specifically for Minnesota Housing the Agency Risk Profile focuses on the critical risks confronting the Agency which could negatively impact the Agency's ability to achieve the goals identified in the Minnesota Housing Strategic and Affordable Housing plan documents.
 - The primary purpose for completing the Agency Risk Profile is to assist the Commissioner and [RMC](#) in communicating risk-related issues to the Board
 - The Agency Risk Profile is a self-assessment exercise completed by the RMC
 - The Agency Risk Profile is completed biennially, or more frequently as requested by the Board, with a formal report issued to the Board
- **Annual Financial Audit:** The Agency contracts with an independent audit firm to complete an annual financial audit. The scope of the audit includes:
 - Opinion on the accuracy and reliability of the Agency's financial statements, including related footnotes and reasonableness of accounting estimates
 - Review of the Agency's level of compliance with major federal program requirements (i.e., Single Audit)
 - Review of internal controls over financial reporting, Disaster Recovery and Continuity of Operations Plans, and other critical areas such as loans and allowance for loan loss, management override of controls, revenue recognition, interest rate swaps, and real estate owned valuation
 - Assessment of the Agency's computerized information system controls and security
- **Annual MMB Internal Control System Certification:** Minnesota Housing annually certifies to MMB that the Agency's internal control systems are compliant with statute and MMB standards, pursuant to Minnesota Statutes 16A.057. The signed certification and supporting documentation [are](#) submitted to MMB within the timeframe determined by MMB each year. Currently, there are three certification components completed each year:

- Control Self-Assessment Tool (CSAT) – A structured way for the Agency to review and document the effectiveness of internal controls over selected processes common for all Minnesota state agencies. The CSAT identifies a number of organizational goals, a series of internal control requirements for each goal, and identifies the existing statutes, state laws, policies and procedures relating to those goals that agencies must follow
- Risk Assessment Plan – Identifies the risk assessment projects the Agency will attempt to complete during the coming year. The RMC updates the Plan each year
- Certification form signed by the Commissioner and Board Chair
- **Risk Assessment Projects:** The Chief Risk Officer will collaborate with management and staff to complete the risk assessment projects as scheduled in the Agency Risk Assessment Plan. Risk assessment projects will:
 - Document the agency business process under assessment
 - Identify the inherent risks related to the business process
 - Identify and document existing control activities within the business process
 - Identify and document internal control gaps and weaknesses within the business process
 - Report identified internal control gaps and weaknesses, and recommendations for correction to the RMC
 - Develop action plans to correct identified internal control gaps and weaknesses
- **Conflict of Interest Disclosure:**
 - Staff complete conflict of interest disclosure statements at time of new employee orientation and annually thereafter. Staff also request permission to accept external employment and/or external board or other memberships
 - The Chief Risk Officer and Legal Division review Conflict of Interest Disclosure forms and requests for external employment or membership prepared by staff and collaborates with the Deputy Commissioner, as applicable, to determine actions required by staff to mitigate conflict of interest risk, and/or to approve staff requests for [external](#) employment and/or external membership
 - The Chief Risk Officer provides the Board with an annual overview of the internal conflict of interest policies and procedures, and the results of the annual conflict of interest disclosure reporting.
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 - Multiple internal retaliation-free communication channels are available for staff and stakeholders to report wrongdoing or other concerns
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 - Procedures are in place to document, triage, investigate and resolve all reports of wrongdoing or other concerns
 - Chief Risk Officer provides semi-annual reports to the Board regarding the status of all applicable investigations
- **Credit Risk Management:** The Agency employs a Credit Risk Management [function](#) that:
 - Evaluates borrower and grantee financial capacities to complete and support proposed affordable housing projects and activities

- Provides information and analyses about credit risks and mitigation strategies to assist Agency decision makers to effectively manage loan and grant portfolio risks, and evaluate Agency financial sustainability
- **Review and Selection Committees:**
 - The Agency currently maintains two primary internal review committees, Mortgage Credit and Clearinghouse. Each committee meets regularly to consider a variety of matters related to multifamily affordable housing loans, grants and policies or procedures, and these meetings are attended by a broad cross section of Agency staff, with expertise in lending, underwriting, credit review, finance and accounting, legal and compliance. Other Agency matters requiring internal review that do not fit into the purview of Mortgage Credit or Clearinghouse are handled through alternate channels
 - Selection committees are designed and called to act for certain funding opportunities and cycles as required by the specific program intent and potential funding availability
- **Compliance:** Compliance impacts every part of the Agency. Minnesota Housing maintains compliance with state and federal rules and regulations through a wide variety of activities, including the following:
 - Minnesota Housing endeavors to maintain compliance with all applicable Agency policies and state or federal laws, rules and regulations. To do so, each of the Single- and Multi-Family divisions employ personnel to develop, implement, and monitor compliance practices and procedures within their divisions. Additionally, employees within the divisions coordinate with the policy, legal and finance teams as appropriate to update compliance practices and maintain consistency with applicable state and federal requirements.
 - The Minnesota Housing Employee Policies and Procedures Manual includes all of the state and federal human resources-related compliance requirements
 - Related to Data Practices, the Agency has designated a Responsible Authority, Data Practices Compliance Officer, and Division designees. The Data Practices Manual details all required compliance elements and outlines processes for agency staff to follow. Applicable staff are provided annual training on the requirements and procedures
 - The Minnesota Housing Information Protection Policies and Procedures document outlines how Minnesota Housing will protect both its electronic and physical data sources. It also outlines staff roles and responsibilities for protecting these assets, including sensitive, confidential, and other not-public information and data.
 - Agency has designated personnel responsible for compliance with SEC and IRS rules and regulations, including disclosures to investors and potential investors in the Agency's debt securities; and has practices and procedures to comply with applicable provisions
 - The annual financial audit scope includes an assessment of the Agency's compliance with major federal program requirements (i.e., the Single Audit)
- **Continuity of Operations Plan (COOP):** The Agency maintains a COOP which includes a Disaster Recovery Plan component.
 - The Disaster Recovery Plan, is reviewed, updated and tested annually
 - The National Institute of Standards and Technology (NIST) cybersecurity framework is will be implemented to supplement the Disaster Recovery Plan to better manage cybersecurity risks.
 - The Agency has contracted for an alternative "hot" site processing center. The readiness and functionality of this site is included in the scope of the annual disaster recovery testing.

Commented [TM(5): New bullet point added per suggestion from CIO Rudi M. who will provide additional information when the revised document is discussed with the Board

- The COOP, including Disaster Recovery Plan, may be reviewed and assessed during the annual financial audit

Appendix 1 Resolution Establishing
a Finance and Audit Committee

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite #400
Saint Paul, Minnesota 55102

RESOLUTION NO. MHFA 20-039
Superseding Resolution No. MHFA 12-062

**RESOLUTION REVISING AND RESTATING THE ROLE OF THE
FINANCE AND AUDIT COMMITTEE**

WHEREAS, the members of the Minnesota Housing Finance Agency (collectively known as the "Board") previously established a Finance and Audit Committee ("Committee") through the adoption of Resolution No. 12-062.

WHEREAS, the Board has determined a need to update the resolution governing that Committee to better reflect the activities and function of the Committee.

NOW THEREFORE BE IT RESOLVED:

THAT, Resolution No. 12-062 is hereby superseded by this Resolution, which updates and restates the activities and function of the Committee;

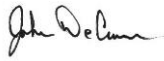
THAT, the Committee shall perform the activities designated herein:

1. Committee Members. The Board shall have a Committee consisting of all members of the Board. The Board Chair shall preside at all Committee meetings. In the Board Chair's absence, the Vice Chair shall preside. A majority of the members (excluding vacancies) shall constitute a quorum for the purpose of conducting the Committee's business and exercising its powers and for all other purposes. When a quorum is in attendance, action may be taken by the Committee upon a vote of a majority of the members present.

2. Committee Purpose. The purpose of the Committee is to receive and review, as necessary, certain financial information of the Minnesota Housing Finance Agency ("Agency") and, when necessary, recommend action by the members of the Board as a whole. The Committee is responsible for overseeing the Agency's accounting and financial reporting processes, the audit of the Agency's annual financial statements, and the overall approach to risk management and internal controls. Some of the Committee's responsibilities may be delegated in writing to Agency staff, as appropriate. The Committee shall meet as needed to address matters. The Committee shall have access to financial expertise, whether in the form of Agency staff or outside financial advisors or auditors. It may ask others to attend its meetings and provide pertinent information as necessary.
3. Committee Responsibilities The Committee shall perform the following duties unless they are performed directly by the Board:
- a) Recommend to the Board the selection and replacement of any financial advisor, investment banker and publicly registered public accounting firm (independent auditor) engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Board.
 - b) As necessary, meet with the financial advisor, investment bankers, independent auditor and other Agency staff, review Agency financial reports, evaluate or receive evaluations of the performance of the financial advisor, the investment bankers, or the independent financial auditor, and receive reports on the sale and issuance of bonds.
 - c) Oversight of agency risk and internal controls, including consultation with senior management and the Chief Risk Officer
 - d) Review, at least annually, with the independent auditor and Agency staff:
 - 1. The independent auditor's plan for the financial audit, and scope thereof
 - 2. The independent auditor's report on the Agency's annual financial statements and related footnotes.
 - 3. The independent auditor's report on the Agency's Federal Program single audit.
 - 4. The independent auditor's required communications, including reporting on significant accounting areas and estimates.
 - 5. The independent auditor's report on internal controls and governmental audit standards including, as necessary, any assessment or report related to the Agency's computerized information system controls and security.
 - 6. Any other matters the independent auditor chooses to bring to the attention of the Committee
 - e) Review, at least annually, with Agency staff:
 - 1. The Agency's Risk Management and Internal Control Framework.
 - 2. Agency compliance with the Risk Management and Internal Control Framework including, but not limited to:
 - Code of conduct, ethics, and conflict of interest.
 - Procedures for the receipt, retention and treatment of reports of wrongdoing or other concerns received, and reporting on investigative activities and resolutions, if any

- Risk assessments and other internal control reviews, including the Agency Risk Profile, Annual Internal Control System Certification, and program/business process risk assessment projects.
- f) Make reports and recommendations, as necessary, to the Board.
- g) Perform such other functions as assigned by the Board.
- h) The Committee may create subcommittees as necessary.

Adopted this 27th day of August, 2020



Chairman



Risk Management and Internal Control Framework

Effective February 23, 2023

Chapter 1 – Introduction and Overview

Minnesota Housing Risk Management and Internal Control Framework

Minnesota Housing (Agency) has adopted a formal Risk Management and Internal Control Framework (Framework) for managing its risks and internal controls. The Framework was established by the Agency's Board of Directors, Commissioner, and Risk Management Committee (RMC) for the purpose of documenting how the Board and management will identify and respond to potential events (risks) that may impact achievement of the Agency's objectives and overall mission.

This Framework document establishes the Agency's Risk Management Policy (Chapter 2), emphasizes that managing risks and internal controls is an essential part of the management process, identifies risk management and internal control responsibilities (Chapter 3), and outlines the Agency's key risk management and internal control components (Chapter 4) designed to promote:

- Efficient and effective operations;
- Reliable reporting for internal and external use;
- Compliance with applicable laws and regulations;
- Safeguarding of assets, including protection of the Agency's reputation.

Terms and Definitions

Risk: The chance of something happening that may have a material impact on the Agency's achievement of its mission, Strategic Plan, Affordable Housing Plan, and other goals and objectives.

Risk Management: The Agency's coordinated activities to identify, analyze, evaluate, and respond to risks.

Internal Control: A process effected by the Minnesota Housing Board, management and staff that provides reasonable assurance that the objectives of the Agency will be achieved. Internal control comprises the plans, methods, policies, and procedures used to fulfill the Agency's mission, Strategic Plan, Affordable Housing Plan, and other goals and objectives.

Risk Responses: Possible responses to identified risks are listed below.

- Acceptance - No action is taken to respond to the risk
- Avoidance - Action is taken to stop or modify the operational process or the part of the operational process causing the risk
- Reduction/mitigation – Internal control actions are taken to reduce the likelihood or magnitude of the risk
- Sharing - Action is taken to transfer or share risks across the entity or with external parties, such as insuring against losses

Principles of the Risk Management and Internal Control Framework

The Framework is based on the following key principles. Risk management and internal control is:

- The responsibility of all appointees, managers, employees, and contractors
- Part of all organizational processes
- Part of decision making

- Explicit in addressing uncertainty
- Structured, timely and cost effective
- Based on the best available information
- Transparent and inclusive
- Responsive to change

Categories of Risk

The risks facing the Agency can result from both internally and externally driven factors. Within four broad categories the following list identifies the risks that may be relevant to the Agency (this list is not exhaustive or all-encompassing). It is important to note that risk categories can and do intersect with each other.

1. Strategic Risk	2. Financial Risk	3. Operational Risk	4. Legal Risk
<ul style="list-style-type: none"> • Reputation • Business Model • Organizational Structure • Resource Allocation • Planning / Execution* • Competition / Industry Changes • Legislative 	<ul style="list-style-type: none"> • Federal Resources* • State Appropriations* • Bond Markets* • Interest Rates* • Loan Performance* • Counterparties*, such as: <ul style="list-style-type: none"> ○ GSEs ○ Credit Rating Agencies ○ Non-profit Partners ○ Sponsors and Developers ○ Correspondent Lenders 	<ul style="list-style-type: none"> • Program Management • Budgeting • Human Resources / Operational Capacity* • Information Technology* • Integrity • Culture • Counterparties*, such as: <ul style="list-style-type: none"> ○ Grantees ○ Sub-Grantees ○ Borrowers ○ Brokers and Realtors • Vendors • Business Continuity* 	<ul style="list-style-type: none"> • Regulatory Compliance* • Fraud/Misuse of Funds/Conflict of Interest

* Denotes risks identified by the Board and Agency RMC that are routinely discussed during RMC meetings, and periodically assessed during the completion of the bi-annual Agency Risk Profile (heat map) project.

Chapter 2 – Risk Management and Internal Control Policy

In support of its mission and objectives, Minnesota Housing is committed to, and places a high priority on managing its risks and internal controls strategically and systematically.

Risk management and internal control is an integral part of the Agency's approach to decision making and accountability. Implementation begins with the Board of Directors and Commissioner and is applied through all levels of the Agency. All Agency management and

staff are required to integrate sound risk management and internal control procedures and practices into their daily activities.

Risk is a fundamental component in Agency activities and is managed to produce the best outcomes for the Agency over time. The intent of risk management is not to eliminate risk but rather to assist Agency staff to manage the risks related to their responsibilities so that the Agency mission and objectives are achieved. Minnesota Housing's risk management and internal control program is managed by the RMC with day-to-day activities coordinated by the Chief Risk Officer and other senior staff. The RMC, together with the Finance and Audit Committee of the Board, is authorized to implement all actions necessary to ensure the Agency maintains effective risk management and internal control systems.

This Framework adopts the United States Government Accountability Office, *Standards for Internal Control in the Federal Government*, also known as the *Green Book*, as the model and criteria the Agency will use to design, implement, and operate an effective risk management and internal control system. The Green Book identifies five internal control components and 17 principles necessary for an effective risk management and internal control system. This Framework serves as a companion to the Minnesota Management and Budget (MMB) Statewide Operating Policy 0102-01, *Internal Control System*.

Chapter 3 - Responsibilities for Agency Risk Management and Internal Control

Board of Directors

- Demonstrate a commitment to integrity and ethical values (i.e., provide strong “Tone at the Top”)
- Approve the Minnesota Housing Risk Management and Internal Control Framework
- Oversee management’s resource allocation and implementation and operation of the Agency’s risk management and internal control processes
- If necessary, sign the annual Internal Control System Certification for submission to MMB
- Periodically review the Agency’s compliance with the Risk Management and Internal Control Framework’s policy requirements
- Other functions, as necessary, and as outlined in Resolution No. MHFA20-039: Resolution - Establishing a Finance and Audit Committee (See Appendix 1)

Commissioner and Deputy Commissioner

- Demonstrate a commitment to integrity and ethical values (i.e., provide strong “Tone at the Top”) and require that management and staff do the same
- Establish an organizational structure, assign responsibility, and delegate authority to achieve the Agency’s objectives and mission
- Establish and maintain a culture of risk awareness and support for internal controls
- Establish retaliation-free mechanisms and communication channels for staff to report suspected violations of the Code of Ethical Conduct Policy, internal control weaknesses, irregularities, or illegal conduct, and determine and follow the agency’s process for

investigating and resolving such reports

- Notify law enforcement and/or the Office of the Legislative Auditor as required by law, rule, regulation, or policy; and report to the Office of the Legislative Auditor in writing when there is probable cause that a substantial violation of Minnesota Statute Chapter 43A (relating to ethics) has occurred
- Notify the Office of the Legislative Auditor if information is obtained indicating that public money or other public resources may have been used for an unlawful purpose, or if information is obtained that government data classified by Minnesota Statutes Chapter 13 as not public may have been accessed by, or provided to, a person without lawful authorization
- Chair the RMC
- If necessary, sign the annual Internal Control System Certification for submission to MMB
- Provide managers and staff with support and training to effectively fulfill their risk management and internal control responsibilities

Risk Management Committee (RMC)

The RMC meets periodically to address matters as needed. A majority of the members must be present for the purpose of conducting RMC business. Consensus decision making is the goal for the RMC. The RMC is comprised of the following members:

- Commissioner - Chair
- Deputy Commissioner –Co-Chair
- Chief Risk Officer – RMC coordinator and meeting facilitator
- General Counsel
- Chief Information Officer
- Chief Financial Officer
- Assistant Commissioner – Single Family Division
- Assistant Commissioner – Multifamily Division
- Assistant Commissioner – Policy
- Director of Human Resources

RMC responsibilities include, but are not limited to:

- Develop the Agency Risk Management and Internal Control Framework, and update as needed
- Evaluate, prioritize, and approve the Agency's risk management and internal control activities
- Complete the Agency Risk Profile, including review and approval of the Agency Risk Profile report for presentation to the Board
- Complete the annual Internal Control System Certification; approve certification supporting documentation (i.e., Control Self-Assessment Tool, Risk Assessment Plan) for presentation to the Board Chair for review and execution of the certification form
- Provide input for and approval of risk assessment project scopes and strategies; review risk assessment project results; approve process improvement and corrective action measures, as applicable
- Periodically examine the Agency's risk tolerances (i.e., the amounts and types of risk the Agency is willing to pursue or retain)

Chief Risk Officer

In addition to the responsibilities related to the facilitation and coordination of the RMC, the Chief Risk Officer will also:

- Coordinate the annual Conflict of Interest Disclosure update; present results to the Board; collaborate with the General Counsel and Deputy Commissioner, as needed, to determine actions required by staff to mitigate conflict of interest risk, and/or to approve staff requests for external employment and/or external board or other membership
- Manage the third party vendor reporting hotline
- Collaborate with the Legal Division to triage and investigate reports of fraud, misuse of funds, conflicts of interest or other concerns; provide periodic reports regarding the status of investigations to the RMC and the Board
- Collaborate with management and staff to complete risk assessment projects as scheduled in the Agency Risk Assessment Plan
- Collaborate with the Human Resources Division to ensure all new staff complete required risk management and ethics training within 60 days of starting at the Agency, and annually thereafter; ensure all managers and staff complete annual Code of Ethical Conduct training and acknowledgement, and Conflict of Interest training and disclosure
- Collaborate with the Human Resources and Communications Divisions to develop and update as needed, risk management and internal controls-related training for Agency staff

Managers (including members of the RMC, as applicable)

- Demonstrate a commitment to integrity and ethical values
- Demonstrate a commitment to recruit, develop, and retain competent staff
- Evaluate staff performance and hold staff accountable for their risk management and internal control responsibilities
- Define clear and measurable objectives to enable the identification of risks to those objectives
- Identify, analyze, and respond to risks relating to the achievement of defined objectives
- Consider the potential for fraud when identifying, analyzing, and responding to risks
- Identify, analyze, and respond to significant internal and external changes that could impact the risk management and internal control systems
- Design control activities to achieve objectives and respond to risks
- Design the information system and related control activities to achieve objectives and respond to risks
- Implement control activities through policies
- Make sure that information received from internal and external sources is reliable for decision making
- Communicate accurate and reliable information internally and externally as necessary to achieve Agency objectives
- Establish activities for monitoring and evaluating Agency risk management and internal control systems and processes
- Remediate identified risk management and internal control deficiencies on a timely basis
- Coordinate with the legal division to determine if risk management and internal control processes, practices and treatments are compliant with regulatory, statutory, program rule, program guide and policy requirements

- Alert member of Servant Leadership Team, direct supervisor, or Chief Risk Officer of significant risk or internal control concerns
- Notify a member of the Servant Leadership Team or the Chief Risk Officer when there is probable cause that a substantial violation of Minnesota Statute Chapter 43A (relating to ethics and/or conflict of interest) has occurred
- Notify a member of the Servant Leadership Team or the Chief Risk Officer if information is obtained indicating that public money or other public resources may have been used for an unlawful purpose, or if information is obtained that government data classified by Minnesota Statutes Chapter 13 as not public may have been accessed by, or provided to, a person without lawful authorization
- Attend RMC meetings as required
- Attend risk management and internal control-related training sessions as required

Staff

- Demonstrate a commitment to integrity and ethical values
- Identify, analyze, evaluate, and respond to risks impacting their job objectives
- Maintain an awareness of risks (current and potential) relating to their job and areas of responsibility
- Actively support and contribute to risk management and internal control initiatives
- Alert members of Servant Leadership Team, direct supervisor or Chief Risk Officer of significant risk and internal control concerns
- Attend risk management and internal control-related training sessions as required

Chapter 4 – Key Risk Management and Internal Control Framework Components

- **Training:** Staff complete ethics, risk management and internal control-related training within 60 days of starting employment at the agency and annually thereafter. The training includes but is not limited to the following:
 - Risk management webinar (includes ethics, fraud prevention, conflict of interest, data practices, required disclosures)
 - Code of Ethical Conduct webinar and acknowledgement
 - Prohibition of harassment and sexual harassment
 - Information security
- **Policies and procedures, including program guides:** Keep current policies and procedures pertaining to key duties, tasks, and responsibilities.
- **Board Reporting:** The Agency holds monthly board meetings where the Servant Leadership Team and other staff provide information to the Board regarding all aspects of the Agency's business, including, as necessary, matters relating to risk management and internal controls.
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 - Identify and document existing control activities within the business process
 - Identify and document internal control gaps and weaknesses within the business process
 - Report identified internal control gaps and weaknesses, and recommendations for correction to the RMC
 - Develop action plans to correct identified internal control gaps and weaknesses
- **Conflict of Interest Disclosure:**
 - Staff complete conflict of interest disclosure statements at time of new employee orientation and annually thereafter. Staff also request permission to accept external employment and/or external board or other memberships
 - The Chief Risk Officer and Legal Division review Conflict of Interest Disclosure forms and requests for external employment or membership prepared by staff and collaborates with the Deputy Commissioner, as applicable, to determine actions required by staff to

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 - The Minnesota Housing Employee Policies and Procedures Manual includes all of the state and federal human resources-related compliance requirements
 - Related to Data Practices, the Agency has designated a Responsible Authority, Data Practices Compliance Officer, and Division designees. The Data Practices Manual details all required compliance elements and outlines processes for agency staff to follow. Applicable staff are provided annual training on the requirements and procedures

- The Minnesota Housing Information Protection Policies and Procedures document outlines how Minnesota Housing will protect both its electronic and physical data sources. It also outlines staff roles and responsibilities for protecting these assets, including sensitive, confidential, and other not-public information and data.
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- The annual financial audit scope includes an assessment of the Agency's compliance with major federal program requirements (i.e., the Single Audit)
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 - The Disaster Recovery Plan, is reviewed, updated and tested annually
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 - The COOP, including Disaster Recovery Plan, may be reviewed and assessed during the annual financial audit

Appendix 1 Resolution Establishing
a Finance and Audit Committee

MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite #400
Saint Paul, Minnesota 55102

RESOLUTION NO. MHFA 20-039
Superseding Resolution No. MHFA 12-062

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FINANCE AND AUDIT COMMITTEE**

WHEREAS, the members of the Minnesota Housing Finance Agency (collectively known as the “Board”) previously established a Finance and Audit Committee (“Committee”) through the adoption of Resolution No. 12-062.

WHEREAS, the Board has determined a need to update the resolution governing that Committee to better reflect the activities and function of the Committee.

NOW THEREFORE BE IT RESOLVED:

THAT, Resolution No. 12-062 is hereby superseded by this Resolution, which updates and restates the activities and function of the Committee;

THAT, the Committee shall perform the activities designated herein:

1. Committee Members. The Board shall have a Committee consisting of all members of the Board. The Board Chair shall preside at all Committee meetings. In the Board Chair’s absence, the Vice Chair shall preside. A majority of the members (excluding vacancies) shall constitute a quorum for the purpose of conducting the Committee’s business and exercising its powers and for all other purposes. When a quorum is in attendance, action may be taken by the Committee upon a vote of a majority of the members present.
2. Committee Purpose. The purpose of the Committee is to receive and review, as necessary, certain financial information of the Minnesota Housing Finance Agency (“Agency”) and, when necessary, recommend action by the members of the Board as a whole. The Committee is responsible for overseeing the Agency’s accounting and financial reporting processes, the audit of the Agency’s annual financial statements, and the overall approach to risk management and internal controls. Some of the Committee’s responsibilities may be delegated in writing to Agency staff, as appropriate. The Committee shall meet as needed to address matters. The Committee shall have access to financial expertise,

whether in the form of Agency staff or outside financial advisors or auditors. It may ask others to attend its meetings and provide pertinent information as necessary.

3. Committee Responsibilities The Committee shall perform the following duties unless they are performed directly by the Board:
- a) Recommend to the Board the selection and replacement of any financial advisor, investment banker and publicly registered public accounting firm (independent auditor) engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Board.
 - b) As necessary, meet with the financial advisor, investment bankers, independent auditor and other Agency staff, review Agency financial reports, evaluate or receive evaluations of the performance of the financial advisor, the investment bankers, or the independent financial auditor, and receive reports on the sale and issuance of bonds.
 - c) Oversight of agency risk and internal controls, including consultation with senior management and the Chief Risk Officer.
 - d) Review, at least annually, with the independent auditor and Agency staff:
 - 1. The independent auditor's plan for the financial audit, and scope thereof.
 - 2. The independent auditor's report on the Agency's annual financial statements and related footnotes.
 - 3. The independent auditor's report on the Agency's Federal Program single audit.
 - 4. The independent auditor's required communications, including reporting on significant accounting areas and estimates.
 - 5. The independent auditor's report on internal controls and governmental audit standards including, as necessary, any assessment or report related to the Agency's computerized information system controls and security.
 - 6. Any other matters the independent auditor chooses to bring to the attention of the Committee.
 - e) Review, at least annually, with Agency staff:
 - 1. The Agency's Risk Management and Internal Control Framework.
 - 2. Agency compliance with the Risk Management and Internal Control Framework including, but not limited to:
 - Code of ethical conduct, ethics, and conflict of interest.
 - Procedures for the receipt, retention and treatment of reports of wrongdoing or other concerns received, and reporting on investigative activities and resolutions, if any.
 - Risk assessments and other internal control reviews, including the Agency Risk Profile, Annual Internal Control System Certification, and program/business process risk assessment projects.
 - f) Make reports and recommendations, as necessary, to the Board.
 - g) Perform such other functions as assigned by the Board.
 - h) The Committee may create subcommittees as necessary.

Adopted this 27th day of August 2020

A handwritten signature in black ink, appearing to read "John DeLina". The signature is fluid and cursive, with the first name "John" and last name "DeLina" clearly distinguishable.

Chairman

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Item: Additions to the Agency Participant Suspension List

Staff Contact(s):

Mike Thone, 651.296.9813, Mike.Thone@state.mn.us

Rachel Robinson, 651.297.3125, Rachel.Robinson@state.mn.us

Request Type:

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

Summary of Request:

Pursuant to the Board's Participant Suspension Policy, the names and circumstances of all individuals added to the Agency Participant Suspension list are to be provided to the Board. Maplewood Terrace of Isle, a Minnesota General Partnership, and Erik S. Anderson and Mary Cole, general partners of Maplewood Terrace of Isle, have been added to the Participant Suspension list, effective January 26, 2023.

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):

- Background

Background:

Section 10.09 of the Board's Participant Suspension Policy requires staff to report to the Board the names and circumstances of individuals or organizations that have been added to the Agency's Participant Suspension list. Maplewood Terrace of Isle, a Minnesota general partnership, and Erik S. Anderson and Mary Cole, general partners of Maplewood Terrace of Isle, were added to the Participant Suspension list, effective January 26, 2023, for actions discussed below.

Maplewood Terrace is a two-building, 16-unit property located in Isle. The property consists of two phases, Phase I and Phase II. The property is owned by Maplewood Terrace of Isle, a Minnesota general partnership, of which Erik S. Anderson and Mary Cole are the general partners. The Agency has an \$80,000 Innovative & Inclusionary Housing loan on phase I and Economic Development and Housing Challenge loan of \$235,700 on Phase II. Woodlands National Bank holds the first and second mortgages that cover both phases.

In February of 2021, Woodlands Bank initiated foreclosure on the first mortgage. At that time, Agency staff were able to contact the owners. The owners subsequently made the necessary loan payments, and the foreclosure sale was canceled.

Woodlands Bank initiated another foreclosure on the first mortgage again in early 2022. The foreclosure sale was on March 31, 2022. The foreclosure redemption period ended on September 30, 2022. Greater Minnesota Housing Fund, another lender on the project, did not pursue redemption. Woodlands Bank was the only bidder on the foreclosure sale and planned to redeem to protect their second mortgage.

Agency staff tried to reach Erik S. Anderson repeatedly regarding the foreclosure between late January 2022 through May 2022, and he did not respond. Staff sent notification letters to the owners via certified mail on July 28, 2022. The letters stated that the Agency was investigating placing the owners on the Participant Suspension List and offering them an opportunity to respond. Those letters were returned as undeliverable.

Staff identified additional contact information and sent those letters again as certified mail on September 20, 2022. The second attempt letters were also returned as undeliverable. Staff have attempted to identify other contact information for the owners, but no additional contact information has been found after multiple reasonable attempts. Staff recommended not to pursue redemption of the Agency loans to the Mortgage Credit Committee (MCC), and the MCC approved this recommendation on June 1, 2022.

Section 10.02 of the Board's Participant Suspension Policy provides that an individual or an organization may be suspended from doing business with the Agency if one or more of the following has occurred:

The individual or organization (1) is in default under a contract or agreement with the Agency; (2) has provided false or misleading documentation to the Agency; (3) has made material misrepresentations to the Agency; or (4) has engaged in activities that have either financially damaged or exposed the Agency to substantially increased financial risk.

The actions of Erik S. Anderson, Mary Cole, and the Maplewood Terrace of Isle general partnership satisfies conditions (1) and (4).

On October 31, 2022, the Minnesota Housing Participant Suspension Committee met to discuss the Mortgage Credit Committee recommendation to suspend the parties. The Committee voted unanimously to suspend Erik S. Anderson, Mary. Cole, and the Maplewood Terrace of Isle organization from doing business with Minnesota Housing for the maximum policy allowed period of three years.