

MINUTES OF THE REGULAR MEETING
OF THE
AUDIT COMMITTEE
WEST VIRGINIA HOUSING DEVELOPMENT FUND
FEBRUARY 22, 2018

A regular meeting of the Audit Committee of the West Virginia Housing Development Fund ("Fund") was held on Thursday, February 22, 2018 at the office of West Virginia Housing Development Fund, 5710 MacCorkle Avenue, SE, Charleston, West Virginia. The meeting was called to order at 8:31 a.m. by Chair John Gianola, with the following members present:

John Gianola, Chair (via telephone)
Steven Travis, Representative for the
Honorable Patrick Morrisey, Attorney General (via telephone)
Josh Stowers, Representative for the Honorable John Perdue, Treasurer (via telephone)

Staff Present:

Kristin Shaffer, Senior Legal Counsel
Crystal Toney, Deputy Director - Administration
Chad Leport, Division Manager - Accounting and Finance
Jeff Fluty, Internal Auditor
Christy Chapman Welch, Loan Servicing Compliance Analyst
Martha Lilly, Legal Assistant
Jill Martin, Executive Assistant

Others Present:

Samme Gee, Esquire, Jackson Kelly PLLC (via telephone)
Stephen Chambers, Esquire, Jackson Kelly PLLC

CONSIDERATION/APPROVAL OF
THE MINUTES OF THE DECEMBER 21, 2017
MEETING

Representative Josh Stowers moved approval of the Minutes of the December 21, 2017, with the suggested changes from Chair John Gianola and Ms. Crystal Toney, and, upon the affirmative vote of the three (3) members present, the Chair declared the motion adopted.

INFORMATIONAL ITEM – RESULTS OF COMPLETED INTERNAL AUDIT TESTING

Mr. Jeff Fluty asked if there were any questions regarding the results of internal audit testing on HOME Program Compliance for fiscal year 2017.

Chair Gianola asked about the Fund's financial exposure for non-compliance under Davis-Bacon. Mr. Fluty stated that he would review the Davis-Bacon regulations and report his findings back to the Audit Committee.

INTERNAL AUDIT 2018 WORK PLAN

Mr. Fluty presented the Fund's Internal Audit 2018 Work Plan. Mr. Fluty stated that the work plan has been adjusted due to changes in the Fund's internal audit staffing.

Chair Gianola requested that staff expand the work plan to include the prior year's budget and actual hours and the hours assigned to Brown Edwards.

A brief discussion followed regarding time allocated and time spent in specific areas during the audit. Chair Gianola stated that the Fund may want to look into purchasing audit software.

Chair Gianola asked how the Fund rates risks and if the majority of the hours are spent in the highest areas of risk. Mr. Fluty stated that staff has taken a risk based approach; however, it is not documented. Chair Gianola stated that the Fund needs to move towards spending the most hours on the greatest risk areas.

The Committee tabled approval of the Audit Work Plan to allow staff time to revise it to include the information requested by Chair Gianola.

CONSIDERATION/APPROVAL – WHISTLE BLOWER POLICY

Mr. Fluty presented the Whistle Blower Policy for the required annual review. Mr. Fluty stated that the changes were minor and involved employee title changes and the new revision date.

Chair Gianola asked if the policy is restricted to unlawful activity only. Ms. Samme Gee recommended that Jackson Kelly work with the Fund's legal staff to review the policy. The Committee tabled approval of the update to the Whistle Blower Policy to allow staff time to review and provide recommended revisions.

CONSIDERATION/APPROVAL AUDIT
COMMITTEE CHARTER


Mr. Fluty presented the Audit Committee Charter for the required annual review and stated that the changes were minor and involved employee title changes and the new revision date. A red-line version was provided to the Audit Committee.

Representative Stowers moved to approve the Audit Committee Charter with the proposed changes. His motion was seconded by Representative Travis, and upon the affirmative vote of the three (3) members present, the Chair declared the motion adopted.

A copy of the Audit Committee Charter is attached as Exhibit A.

ADJOURNMENT

There being no further business, Representative Stowers moved to adjourn the meeting. His motion was seconded by Representative Travis, and upon the affirmative vote of the three (3) members present, the Chair declared the motion adopted. Meeting adjourned at 8:51 a.m.


Kristin Shaffer
Assistant Secretary

WEST VIRGINIA HOUSING DEVELOPMENT FUND AUDIT COMMITTEE CHARTER

(Originally enacted May 25, 2005)

(Most recent revision ~~February 22, 2018~~April 20, 2017)

I. PURPOSE

The primary function of the Audit Committee (the Committee) is to assist the Board of Directors (the Board) in fulfilling its oversight responsibilities by reviewing: the West Virginia Housing Development Fund's financial reports and other financial information provided to any governmental body or the public; the systems of internal controls that management and the Board have established; and the auditing, accounting, and financial reporting processes, in general. The Committee should encourage continuous improvement of, and should foster adherence to, the Housing Development Fund's policies, procedures, and practices at all levels. The Committee's primary duties and responsibilities are to:

- Serve as an independent and objective party to monitor the financial reporting process and internal control system.
- Provide oversight of the external auditor's qualifications and independence.
- Review and appraise the audit efforts of the external auditors and the Internal Audit Department.
- Provide an open avenue of communications among the external auditors, management, the internal auditors, and the Board.

The Committee will primarily fulfill these responsibilities by carrying out the activities outlined in Section V of this Charter.

II. AUTHORITY

The Committee has the authority to conduct or authorize investigations into any matters within its scope or responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of the independent public accounting firm contracted to conduct the annual audit.
- Resolve any disagreements between management and the external auditor regarding financial reporting.
- Pre-approve all auditing and permitted non-audit services performed by the external audit firm.
- Retain independent counsel, accountants, or others to assist and advise the Committee, as necessary.
- Meet with the external auditors, management, the internal auditors, or outside counsel, as necessary.

III. COMPOSITION

The Committee will be comprised of three or more directors as appointed by the Chair of the Board. The directors must be free from any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a member of the Committee. All members of the Committee will have a working familiarity with basic finance and accounting practices, and at least one member of the Committee will have financial expertise. The Committee will elect a Chair by majority vote of the full Committee membership.

IV. MEETINGS

The Committee will meet at least three times annually, or more frequently as circumstances dictate, and may be combined with regularly scheduled meetings of the Board. All Committee members should attend each meeting, in person or via teleconference, if possible. The Committee will invite members of management, external or internal auditors, or others to attend and provide pertinent information, as necessary. It will meet separately, periodically, with the external auditors, management, and the internal auditors and will meet periodically in executive session, if appropriate. Meeting notices will be electronically filed with the Secretary of State for publication on the Secretary of State's website, in conformance with the Open Governmental Proceedings Act (Chapter 6, Article 9A). Meeting agendas will be prepared and provided to members in advance, along with appropriate briefing materials. Minutes will be prepared for each meeting.

V. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Committee will:

Financial Statements & Reporting

- Review and accept the Housing Development Fund's audited financial statements, management letter, required auditor communications, and all other financial information.
- Review the internal reports to management prepared by the Internal Audit Department and subsequent management responses, if applicable.
- Report to the Board all Committee activities and issues that arise with respect to the quality or integrity of the Housing Development Fund's financial statements, compliance with legal or regulatory requirements, or the performance and independence of the internal auditors.

Internal and External Audit

- Review with the ~~Senior Manager of~~ Internal Audit Department and management the charter, internal audit plans and activities, changes in the scope of the internal audit, and the staffing and organizational structure of the Internal Audit Department.
- Ensure there are no unjustified restrictions or limitations placed on internal audit, including access to required information.
- Review and concur in the appointment, replacement, reassignment, or dismissal of the ~~Senior Manager of~~ Internal Auditor.
- Review and concur with the annual compensation of the ~~Senior Manager of~~ Internal Auditor.

- Review and evaluate the performance of the ~~Senior Manager of Internal Audit and the Internal Audit Department~~.
- Review and approve the selection of the external auditors, considering qualifications, independence, and performance and approve the fees and other compensation to be paid.
- Review the external auditor's proposed audit scope and approach, including coordination of audit effort with the Internal Audit Department.
- Review and evaluate the performance of the external auditors and approve any proposed discharge when circumstances warrant.
- Consult with the external auditors, out of the presence of management, about internal controls and the completeness and accuracy of the Housing Development Fund's financial statements and such other matters that pertain to the integrity of the financial statements.

Financial Reporting Processes

- Review with the external auditors all critical accounting policies and procedures used and alternative treatments of financial information within Generally Accepted Accounting Principles that have been discussed with management, the ramifications of each alternative, and the treatment preferred by management.
- Consider the external auditor's judgments about the quality and appropriateness of the Housing Development Fund's accounting principles as applied in its financial reporting.
- Consider and approve, if appropriate, major changes to the auditing procedures, accounting principles and practices, or financial statement presentation as suggested by the external auditors, management, or the ~~Senior Manager of Internal Audit~~ Department.
- Review the responsiveness and timeliness of management's follow-up activities pertaining to any reported findings and recommendations.
- Review with the external auditors, management, and the ~~Senior Manager of Internal Audit~~ Department all matters required to be discussed with the Committee by the Statement on Auditing Standards (SAS) No. 114, *The Auditor's Communication With Those Charged With Governance*, as amended from time to time, relating to the conduct of the audit.
- Following the completion of the annual audit, review separately with the external auditors, management, and the internal auditors any significant difficulties or disagreements encountered during the course of the audit, including any restrictions on the scope of work, access to required information, or in connection with the preparation of the financial statements.

Ethical and Legal Compliance

- Review, with counsel, any legal or ethical matter that could have a significant impact on the Housing Development Fund's financial statements, compliance policies and programs, and reports received from regulators.

Internal Control

- Review with the external auditor and the ~~Senior Manager of~~ Internal Audit Department the adequacy and the effectiveness of the Housing Development Fund's internal control system, including information technology security and control.
- Understand the scope of the internal and external auditors' review of internal control over financial reporting, and review internal audit's reports on significant findings and recommendations, together with management responses.

Other Responsibilities

- Report to the full Board all Committee actions, issues, and related recommendations.
- Provide an open avenue of communication among the external auditors, management, internal auditors, and the Board.
- Meet with the external auditors, management, and the ~~Senior Manager of~~ Internal Audit Department in separate executive sessions to discuss any matters that the Committee or these groups believes should be discussed privately.
- Discuss with the external auditors, management, and the ~~Senior Manager of~~ Internal Audit Department major policies with respect to risk assessment and risk management.
- Ensure that a policy is in place for whistleblowers to provide information on potentially fraudulent financial reporting or breaches of internal control to the Committee.
- Review and assess the adequacy of the Charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this Charter have been carried out.
- Perform any other activities consistent with this Charter and the Housing Development Fund's By-laws and governing law, as the Committee or the Board deems necessary or appropriate.

Committee Approval dated this 22nd ~~20th~~ day of February ~~April~~, 2018~~7~~.

John Gianola ~~Nick Casey~~, Chair WVHDF Audit Committee

Date