

**Rhode Island Housing and Mortgage Finance Corporation**  
**Minutes of the Meeting of the Audit Committee**  
**November 19, 2015**

The Audit Committee of the Rhode Island Housing convened at the offices of the Corporation on November 19, 2015 at the offices of Rhode Island Housing.

Committee members present were Committee Chair Kelly Rogers, designee for General Treasurer Magaziner, Chair Retsinas, Commissioner McCleary and Commissioner McAllister.

The following Rhode Island Housing staff was also present: Barbara Fields, Executive Director, Kara Lachapelle, CFO, Dora Garcia, Controller and Michael Milito, Deputy Assistant Director.

Also present were Stephen Geremia and Molly O'Marra from the audit firm of LGCD.

A quorum being present, the Chair called the meeting to order at approximately 10:15 am.

Committee Chair Rogers introduced Steve Geremia from LGCD and asked him to make a presentation regarding the results of the audit for FY 2015.

Mr. Geremia presented the Committee with a copy of the Financial Audit for FY 2015, as well as a copy of his PowerPoint presentation. Mr. Geremia and Ms. O'Marra made several observations and comments on the scope of the audit, the process and results.

- Mr. Geremia first reviewed the Scope of Services involved in the audit.
  - The audit was conducted in accordance with GAS requirements and is designed to provide reasonable assurance that the financial statements are free of material misstatement. The audit is not designed to detect immaterial errors or fraud.
  - The Audit of major Federal Award compliance is conducted in accordance with OMB Circular A-133.
- Mr. Geremia then reviewed the results of the audit.
  - The audit resulted in the issuance of an “unqualified opinion” on the basic financial statements of Rhode Island Housing
    - No material items of noncompliance were identified.
    - No material weaknesses in internal control over compliance were identified.
- Ms. O'Marra noted that Rhode Island Housing has not made any changes in significant accounting policies. Responsibility for selection and application of these policies rests with management.
- Ms. O'Marra noted that the most significant item reviewed is the allowance for loan loss reserve.
  - She noted that the methodology used is consistent with the methodology used for many years allowing for comparison year to year.
  - The loan loss reserve was reduced by \$2.5 million, which is consistent with the reduction in the portfolio size and improvement in portfolio delinquency rates.

- Ms. O'Marra made the following additional observations:
  - There were no audit adjustments this year. No changes to the information presented.
  - There were a few minor misclassifications in presentation regarding reserves for Madeline Walker program receivables, accrued interest payable in the single-family and multi-family bond programs. These items were not considered material.
  - There were no disagreements with management on the accounting or presentation of the information in the financial reports.
  - No control deficiencies were noted, and there were no consultations with other auditors regarding the audit by either management or LGCD.
  
- Mr. Geremia then gave a brief overview of upcoming changes in accounting rules that have been issued by GASB and that will be applicable in the future dealing with fair value measurement of assets and liabilities, accounting for certain post-employment benefits, and new OMB guidance on accounting requirements for federal awards.

Commissioner McCleary left at this point at approximately 10:49 am.

A brief period of discussion and questions followed the presentation, with particular focus on best practices in establishing internal compliance functions and evaluating enterprise risk.

At approximately 10:57 am the Committee met privately with representatives of LGCD.

The meeting of the Audit Committee was adjourned at approximately 11:00 am.

Respectfully submitted,

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Barbara G. Fields  
Executive Director and Secretary of the Audit Committee