

NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
INDEPENDENT ACCOUNTANTS' AGREED-UPON PROCEDURES REPORT
JUNE 30, 2016



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INDEPENDENT ACCOUNTANTS' AGREED-UPON PROCEDURES REPORT

Board of Directors and Management
Nevada Affordable Housing Assistance Corporation and
U.S. Department of Treasury

We have performed the procedures enumerated below, which were agreed to by the Nevada Affordable Housing Assistance Corporation (NAHAC), in connection with the guidelines of Section 4(B) of the Commitment to Purchase Financial Instrument and HFA Participation Agreement (collectively the "HPA Agreement"). Management is responsible for NAHAC's compliance with these requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is the sole responsibility of NAHAC. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which the report has been requested or for any other purpose.

Our procedures and findings were as follows:

1. We obtained from management a copy of the HPA Agreement and the U.S. Treasury Hardest Hit Fund (HHF) Risk and Control Matrix and subsequent program amendments in effect during the year ended June 30, 2016. The HHF Risk and Control Matrix was created by the U.S. Treasury to provide for a minimum framework for the states participating in the HHF Program to meet the requirements pursuant to Section 4(B) of the HPA Agreement.

Findings: None

2. We obtained from management a copy of Nevada Affordable Housing Assistance Corporation's (NAHAC) Internal Control Procedures (ICP) that was in effect during the year ended June 30, 2016. We also obtained from management correspondence received by NAHAC from the U.S. Department of Treasury related to its ICP and internal audit department during the year ended June 30, 2016.

Findings: None

3. We compared the controls and procedures provided in the ICP, obtained in procedure 2, to the HHF Risk and Control Matrix obtained in procedure 1, to determine whether the controls and procedures specified in the HHF Risk and Control Matrix were included in the ICP.

Findings: See Schedule 1 (attached) for items that were listed as "Example Control Activities" on the HHF Risk and Control Matrix for their inclusion/exclusion from the "Nevada Affordable Housing Assistance Corp. Internal Control Program May 2013".

Management Response: *NAHAC will review their internal controls and related internal control program and make a determination as to those controls listed on the HHF Risk and Control Matrix that would be both relevant and effective additions to the internal control program in place. NAHAC will then implement such changes to internal controls as appropriate, and will make changes to the internal control program as necessary to ensure the design and operating effectiveness of internal controls is still adequate.*

4. We will compare the internal audit procedures, as outlined in the “Scope of Services” section of the internal audit reports, to the HHH Risk and Control Matrix, to determine whether the internal audit procedures performed correlate to the “example control activities” outlined in the HHH Risk and Control Matrix.

Findings: The internal audit report is known as the “Internal Audit Consulting Report”. Management could not provide an “Internal Audit Consulting Report” for Quarter 4 (Q4) of the fiscal year ending June 30, 2016 as the report was not completed.

“Internal Audit Consulting Reports” were reviewed for Quarters 1, 2, and 3 (Q1, Q2, and Q3, respectively). The following items were listed as “Example Control Activities” on the HHH Risk and Control Matrix but were not listed as items considered in the “Scope of Services” section of the “Internal Audit Consulting Reports”:

For Quarters 1, 2, and 3

- *Program Expenses*
 - *The disbursement policy includes the use of a checklist and required supervisory sign-offs to ensure supporting documentation is verified by another party.*
 - *Levels of review of the payment file are incorporated in the disbursement process.*
 - *Appropriate levels of review of the loan payment files and documentation are incorporated in the loan approval and disbursement process.*

For Quarters 2 and 3 (Additional Item)

- *Fraud & Conflicts of Interest*
 - *Ensure formal RFQ and RFP processes in compliance with state and federal requirements are used in securing participating housing counselors, credit report companies, title companies, etc.*

Management Response: *Management of NAHAC are aware that the 4th Quarter compliance review of fiscal year 2016 is late, and they have engaged a 3rd party CPA firm to provide those services in order to catch up based on the timing requirements of the compliance as stated in the HPA agreement.*

5. We read the workpapers and reports prepared by NAHAC’s internal audit department, which were prepared in connection with the completion of their internal audit procedures applicable for the year ended June 30, 2016. For each finding identified in the internal audit reports, we will review to determine whether management responded with a remedial plan of action.

Conclusion: “Internal Audit Consulting Reports” were prepared for Q1, Q2, and Q3 of the fiscal year ended June 30, 2016. All findings noted in the “Internal Audit Consulting Reports” were accompanied by a management response.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and used of management and the Board of Directors of the Nevada Affordable Housing Assistance Corporation and the U.S. Department of Treasury and is not intended to be, and should not be, used by anyone other than these specified parties.

Las Vegas, Nevada
July 7, 2017

NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION
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6/30/2016

Schedule 1

Example Control Activities Per The HHF Risk and Control Matrix	Is the item included in the Nevada Affordable Housing Assistance Corp. Internal Control Program May 2013?
Eligibility / Underwriting	
<ul style="list-style-type: none"> • The HFA/EE has documented underwriting guidelines and policies and procedures that describe in detail the eligibility determination and underwriting requirements over all HHF programs, as amended, that are in accordance with the HPA Term Sheet for each program 	No
<ul style="list-style-type: none"> • Participating housing counselors and HFA/EE staff are sufficiently qualified and trained to (1) inquire and obtain the minimum required documentation from potential HHF borrowers to determine eligibility, (2) summarize and document their recommendations based on review and evaluation of the eligibility underwriting process performed 	Yes
<ul style="list-style-type: none"> • The participating housing counselors and HFA/EE staff understand the specific HHF program eligibility criteria and require identification of and documentation for each of these criteria in the loan underwriting files 	Yes
<ul style="list-style-type: none"> • Properly trained HFA/EE staff reviewers perform reviews of counselor-submitted recommendations, check for appropriate documentation needed, order additional documentation (credit reports, unemployment status, IRS transcripts, etc.) as needed, recalculate income/ratios, etc., and HFA/EE staff recommendations for HHF loan approval or denial 	No
<ul style="list-style-type: none"> • Checklists are used for these reviews 	No
<ul style="list-style-type: none"> • Routine review of HHF eligibility/underwriting practices are performed and documented by the internal auditors or quality assurance team in a timely manner, and instances of non-compliance with guidelines and requirements are remediated 	Yes
HHF Funds, Property and Other Assets	
<ul style="list-style-type: none"> • The HFA/EE has documented policies and procedures that describe in detail the requirements over HHF funds, property and other assets 	Yes
<ul style="list-style-type: none"> • For HHF program and administrative funds, property and other assets, duties over custody of cash, disbursement approval, recording, reconciling, and report review are adequately segregated 	No
<ul style="list-style-type: none"> • The HFA/EE maintains acceptable bank accounts for HHF funds and reconciles the bank accounts on a monthly basis 	No
<ul style="list-style-type: none"> • Routine review of HHF funds, property and other assets are performed and documented by the internal auditors or quality assurance team in a timely manner, and instances of non-compliance with guidelines and requirements are remediated 	No
Reporting	
<ul style="list-style-type: none"> • The HFA/EE has documented policies and procedures that describe in detail the requirements over HHF reporting functions (both internal reporting and reporting to Treasury) 	No
<ul style="list-style-type: none"> • The HFA/EE prepares and submits complete and accurate QPRs and QFRs to Treasury on a quarterly basis within the time requirements 	No
<ul style="list-style-type: none"> • The HFA/EE posts the completed QPR on its website quarterly 	No
<ul style="list-style-type: none"> • The HFA/EE prepares a monthly trial balance for the HHF program, and performs a monthly detailed reconciliation of the HHF trial balances, financial reports/statements to the HHF detailed general ledger, bank statements, and other documentation supporting HHF income and expenses (program and administrative) 	No
<ul style="list-style-type: none"> • The HFA/EE monitors compliance with laws and regulations 	No
<ul style="list-style-type: none"> • The HFA/EE maintains documentation of the ICP and IAMCP, as revised, and proof of submission to Treasury 	No

Program Expenses	
<ul style="list-style-type: none"> • The HFA/EE has documented policies and procedures that describe in detail the requirements over HHF program expenses 	Yes
<ul style="list-style-type: none"> • The disbursement policy includes the use of a checklist and required supervisory sign-offs to ensure supporting documentation is verified by another party 	No
<ul style="list-style-type: none"> • Levels of review of the payment file are incorporated in the disbursement process 	No
<ul style="list-style-type: none"> • Payment information in the HFA/EE's loan processing system is entered appropriately into HFA/EE's financial accounting system 	No
<ul style="list-style-type: none"> • Appropriate levels of review of the loan payment files and documentation are incorporated in the loan approval and disbursement process 	No
<ul style="list-style-type: none"> • Routine review of program payments are performed and documented by the internal auditors or quality assurance team in a timely manner, and instances of non-compliance with guidelines and requirements are remediated 	No
Administrative Expenses	
<ul style="list-style-type: none"> • The HFA/EE has documented policies and procedures that describe in detail the requirements over HHF administrative expenses 	Yes
<ul style="list-style-type: none"> • The disbursement policy includes the use of a checklist and required supervisory sign-offs to ensure supporting documentation is verified by another party 	No
<ul style="list-style-type: none"> • Levels of review of the payment request are incorporated in the disbursement process and entered appropriately into the HFA/EE's financial accounting system 	No
<ul style="list-style-type: none"> • Appropriate levels of review of the administrative expense payment files and documentation are incorporated in the payment approval and disbursement process 	No
<ul style="list-style-type: none"> • Monthly review of administrative payments are performed and documented in a timely manner 	No
<ul style="list-style-type: none"> • Routine review of administrative payments are performed and documented by the internal auditors or quality assurance team in a timely manner, and instances of non-compliance with guidelines and requirements are remediated 	No
Fraud and Conflicts of Interest	
<ul style="list-style-type: none"> • The HFA/EE has documented policies and procedures that describe in detail the requirements over the prevention and detection of fraud and conflicts of interest 	Partially addressed Policies and procedures that describe in detail the requirements over the prevention and detection of fraud and conflicts of interest not listed.
<ul style="list-style-type: none"> • The internal auditor or quality assurance team is assigned responsibility for monitoring and testing controls for instances of fraud, including selecting sample loan files to check for program eligibility, reviewing financial reports and bank account statements, reviewing external business partner contracts and payments, etc. 	Yes
<ul style="list-style-type: none"> • Ensure routine training to HHF employees and contractors regarding the definition of fraud, what to do when fraud is suspected, and institute an anonymous fraud hotline for individuals to report instances of suspected fraud 	No
<ul style="list-style-type: none"> • Document the training materials and attendees 	No
<ul style="list-style-type: none"> • Ensure formal RFQ and RFP processes in compliance with state and federal requirements are used in securing participating housing counselors, credit report companies, title companies, etc. 	No
<ul style="list-style-type: none"> • Ensure routine training to HHF employees and contractors regarding the definition and prohibition of conflicts of interest 	No
<ul style="list-style-type: none"> • Include routine checks for instances of conflicts of interest in the internal audits and quality assurance reviews performed 	No
<ul style="list-style-type: none"> • Document the training materials and attendees 	No

IT Environment and Data Security

<ul style="list-style-type: none">• The HFA/EE has documented policies and procedures that describe in detail the requirements over the HHF IT environment and data security functions	Yes
<ul style="list-style-type: none">• The HFA/EE monitors and reviews data security and the IT environment for HHF related data	No
<ul style="list-style-type: none">• The HFA/EE limits access to borrower PII to authorized users only	No
<ul style="list-style-type: none">• Ensure routine training to HHF employees and contractors regarding IT security and safeguarding of HHF data and borrower PII	No
<ul style="list-style-type: none">• Document the training materials and attendees	No
<ul style="list-style-type: none">• Include routine checks to test the IT security and safeguarding of HHF data and borrower PII in the internal audits and quality assurance reviews performed	No