

**NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION**  
**INDEPENDENT ACCOUNTANT'S AGREED-UPON PROCEDURES REPORT**  
**JUNE 30, 2018**

DRAFT

## INDEPENDENT ACCOUNTANT'S 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. 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 this 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, 2018. 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, 2018. We also obtained from management correspondence received by NAHAC from the U.S. Department of Treasury related to its ICP and internal compliance department during the year ended June 30, 2018.

*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 July 2017".*

*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 compared the internal compliance procedures, as outlined in the "Scope of Services" section of the internal compliance reports, to the HHF Risk and Control Matrix, to determine whether the internal compliance procedures performed correlate to the "Example Control Activities" outlined in the HHF Risk and Control Matrix.

*Findings: The internal compliance report is known as the “Internal Compliance Review”. Internal Compliance Reviews were performed, as follows:*

- *Quarter 1 (July 1, 2017 to September 30, 2017) Issued October 18, 2018*
- *Quarter 2 (October 1, 2017 to December 31, 2017) Issued October 25, 2018*
- *Quarter 3 (January 1, 2018 to March 31, 2018) Issued October 31, 2018*
- *Quarter 4 (April 1, 2018 to June 30, 2018) Issued November 7, 2018*

*The following items were listed as “Example Control Activities” on the HHF Risk and Control Matrix, but were not listed as items considered in the “Scope of Services” section of the “Internal Compliance Review”:*

- *Administrative Expenses*
  - *Monthly reviews of administrative payments are performed and documented in a timely manner.*
- *Fraud and 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: *The two items above will be added to the “Scope of Services” section of the “Internal Compliance Review” for subsequent quarters.*

5. We read the workpapers and reports prepared by NAHAC’s internal compliance department, which were prepared in connection with the completion of their internal compliance procedures applicable for the year ended June 30, 2018. For each finding identified in the internal compliance reports, we reviewed to determine whether management responded with a remedial plan of action.

*Findings: None*

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the HPA Agreement. Accordingly, we do not express such an opinion or conclusion. 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 use 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  
December 20, 2018

**NEVADA AFFORDABLE HOUSING ASSISTANCE CORPORATION**  
**INDEPENDENT ACCOUNTANT'S AGREED-UPON PROCEDURES REPORT**

**6/30/2018**

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 July 2017?
<b>Eligibility / Underwriting</b>	
<ul style="list-style-type: none"> <li>• 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</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• 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</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• 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</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• 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</li> </ul>	No
<ul style="list-style-type: none"> <li>• Checklists are used for these reviews</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• 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</li> </ul>	Yes
<b>HHF Funds, Property and Other Assets</b>	
<ul style="list-style-type: none"> <li>• The HFA/EE has documented policies and procedures that describe in detail the requirements over HHF funds, property and other assets</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• 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</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• The HFA/EE maintains acceptable bank accounts for HHF funds and reconciles the bank accounts on a monthly basis</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• 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</li> </ul>	Yes
<b>Reporting</b>	
<ul style="list-style-type: none"> <li>• 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)</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• The HFA/EE prepares and submits complete and accurate QPRs and QFRs to Treasury on a quarterly basis within the time requirements</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• The HFA/EE posts the completed QPR on its website quarterly</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• 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)</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• The HFA/EE monitors compliance with laws and regulations</li> </ul>	Yes
<ul style="list-style-type: none"> <li>• The HFA/EE maintains documentation of the ICP and IAMCP, as revised, and proof of submission to Treasury</li> </ul>	Yes

<b>Program Expenses</b>	
<ul style="list-style-type: none"> <li>The HFA/EE has documented policies and procedures that describe in detail the requirements over HHH program expenses</li> </ul>	Yes
<ul style="list-style-type: none"> <li>The disbursement policy includes the use of a checklist and required supervisory sign-offs to ensure supporting documentation is verified by another party</li> </ul>	Yes
<ul style="list-style-type: none"> <li>Levels of review of the payment file are incorporated in the disbursement process</li> </ul>	Yes
<ul style="list-style-type: none"> <li>Payment information in the HFA/EE's loan processing system is entered appropriately into HFA/EE's financial accounting system</li> </ul>	Yes
<ul style="list-style-type: none"> <li>Appropriate levels of review of the loan payment files and documentation are incorporated in the loan approval and disbursement process</li> </ul>	Yes
<ul style="list-style-type: none"> <li>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</li> </ul>	Yes
<b>Administrative Expenses</b>	
<ul style="list-style-type: none"> <li>The HFA/EE has documented policies and procedures that describe in detail the requirements over HHH administrative expenses</li> </ul>	Yes
<ul style="list-style-type: none"> <li>The disbursement policy includes the use of a checklist and required supervisory sign-offs to ensure supporting documentation is verified by another party</li> </ul>	Yes
<ul style="list-style-type: none"> <li>Levels of review of the payment request are incorporated in the disbursement process and entered appropriately into the HFA/EE's financial accounting system</li> </ul>	Yes
<ul style="list-style-type: none"> <li>Appropriate levels of review of the administrative expense payment files and documentation are incorporated in the payment approval and disbursement process</li> </ul>	Yes
<ul style="list-style-type: none"> <li>Monthly review of administrative payments are performed and documented in a timely manner</li> </ul>	Yes
<ul style="list-style-type: none"> <li>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</li> </ul>	No
<b>Fraud and Conflicts of Interest</b>	
<ul style="list-style-type: none"> <li>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</li> </ul>	Yes
<ul style="list-style-type: none"> <li>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.</li> </ul>	Yes
<ul style="list-style-type: none"> <li>Ensure routine training to HHH 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</li> </ul>	Yes
<ul style="list-style-type: none"> <li>Document the training materials and attendees</li> </ul>	Yes
<ul style="list-style-type: none"> <li>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.</li> </ul>	Yes
<ul style="list-style-type: none"> <li>Ensure routine training to HHH employees and contractors regarding the definition and prohibition of conflicts of interest</li> </ul>	Yes
<ul style="list-style-type: none"> <li>Include routine checks for instances of conflicts of interest in the internal audits and quality assurance reviews performed</li> </ul>	Yes
<b>IT Environment and Data Security</b>	
<ul style="list-style-type: none"> <li>The HFA/EE has documented policies and procedures that describe in detail the requirements over the HHH IT environment and data security functions</li> </ul>	Yes
<ul style="list-style-type: none"> <li>The HFA/EE monitors and reviews data security and the IT environment for HHH related data</li> </ul>	Yes
<ul style="list-style-type: none"> <li>The HFA/EE limits access to borrower PII to authorized users only</li> </ul>	Yes
<ul style="list-style-type: none"> <li>Ensure routine training to HHH employees and contractors regarding IT security and safeguarding of HHH data and borrower PII</li> </ul>	Yes
<ul style="list-style-type: none"> <li>Document the training materials and attendees</li> </ul>	Yes
<ul style="list-style-type: none"> <li>Include routine checks to test the IT security and safeguarding of HHH data and borrower PII in the internal audits and quality assurance reviews performed</li> </ul>	Yes