



Minutes of the Board of Commissioners Meeting August 21, 2012

MEETING CONVENED

A regular meeting of the Board of Commissioners for MaineHousing convened on August 21, 2012 at the offices of MaineHousing, 353 Water Street, Augusta, Maine.

Chair Peter Anastos called the meeting to order at 9:08 a.m. with Commissioners Donald Capoldo, Lincoln Merrill, Mark Samson, Sheryl Gregory, and Acting Director Peter Merrill in attendance. Commissioners John Turner, Donald Gean, and Nikki McLean were absent. Commissioner Bruce Poliquin joined the meeting at 9:20 a.m. There was a quorum present.

PUBLIC ATTENDANCE

Other guests and staff present included: Margaret Bean, Deputy Director; Tom Cary, Treasurer; Dan Brennan, Director of Development; Craig Reynolds, Director of Homeownership; Kirsten Figueroa, Director of Energy and Housing Services; Denise Lord, Director of Housing Choice Vouchers; Bob Conroy, Director of Asset Management; Bob King, temporary Manager of Communications and Planning; Linda Grotton, Internal Audit Manager; Linda Uhl, Chief Counsel; Jane Whitley, HR Manager; William Glover, Manager of Lending; Don McGilvery, Manager of Construction Services; Deb Turcotte, Public Information Manager; Jody Rollins, Office Administrator and note taker; John Gallagher, Governor's Director nominee; Barbara Berry, Maine Association of Realtors.

ADOPT AGENDA

Commissioner Capoldo made a motion seconded by Commissioner Gregory to accept the agenda. A suggestion was made to place the HUD OIG Audit Update after the Audit Committee Report. Commissioner Gregory made a motion seconded by Commissioner Capoldo to accept the agenda with the proposed change. All Commissioners present voted in favor of adopting the revised agenda. The motion carried 4 – 0.

COMMUNICATIONS AND CONFLICTS

Internal Audit Manager Linda Grotton reported that the Board received additional correspondence from the Federal DHHS Office of Grants Management regarding the REACH IV Grant. The Board had provided information to DHHS in February, 2012 regarding the actions taken to strengthen controls following an A-133 audit finding that not all financial status reports for the REACH IV grant were submitted in a timely basis. In response, the Board received a second letter from DHHS on June 21 requesting a letter of certification and copies of all of the reports filed. The Board responded with a letter dated July 17, 2012 which provided an Affidavit of Jo-Ann Choate stating that all financial status reports during the program period were submitted. However, in researching the issue, it was discovered that a final close-out report was never prepared. Once the grant is closed out, the Board will provide DHHS with a follow-up letter and include a copy of the final close-out Financial Reporting Form.

APPROVE MINUTES OF JUNE 19, 2012

Commissioner Samson made a motion seconded by Commissioner Gregory to accept the minutes as written. All Commissioners voted in favor of approving the minutes as written. The vote carried 5 – 0.

UPDATE FROM CHAIRMAN OF THE BOARD

Chair Anastos reported that Governor LePage nominated John Gallagher for Director of MaineHousing. He stated that Mr. Gallagher filled the Governor's charge to find the best qualified housing professional. He looks forward to working with John.

UPDATE FROM THE DIRECTOR

Peter Merrill provided the following updates:

- *Oak Park* – Oak Park is a 91 unit project in Lewiston. It houses an elderly population with an average income of \$15,000, and received financing from MaineHousing in the 1970s. A report that timbers were buckling led to a concern that the building was not structurally sound. Mr. Merrill reported on a meeting held with the code enforcement officer, HUD, owner of Oak Park and others where they concluded that the situation was not an emergency. The owner provided a rough estimate of \$2 million to repair the problems, or \$2.5 to do a full renovation.
- *Medical Marijuana* – MaineHousing will need to set a policy on whether the Section 8 program will serve tenants who use and cultivate medical marijuana. Medical marijuana use is legal in Maine, but not legal by federal law. A substantive discussion occurred. Commissioners requested that the legal department provide the Board with its options. A recommendation was made to table the decision to see if any changes result from the DHHS rulemaking and allow input from the incoming Director.

AUDIT COMMITTEE REPORT

Commissioner Linc Merrill provided an update on items discussed during the August 9th Audit Committee meeting.

- *Grants* - There was an extended conversation about how MH should manage grants in general. Currently, each department manages their grants individually with tracking, expenditures and reporting. MH will explore alternate procedures for handling grants to ensure work is being done properly. Linda Grotton will provide a listing of all grants and timelines at the September meeting.
- *OPEGA Investigation* – The OPEGA investigation is on-going.
- *Social Security* - There is one outstanding data security issue regarding the Social Security Administration review of our LIHEAP client data verification process through DHHS. The weakness has been identified, and a proposal has been made to address it. Commissioner Merrill urges MH to move forward as soon as possible. Linda Grotton reported that a request for information has been issued.

UPDATE ON HUD OIG AUDIT

Director of HCV Programs Denise Lord reported HUD OIG has not issued its audit report. MaineHousing will have five days to respond. Ms. Lord provided an update on the status of the inspection process, and reviewed information on the pass and fail rates. Actions taken by HCV include sending two informational communications to landlords on the most commonly failed items, and inspectors fixing easy problems by carrying light bulbs and batteries so a unit doesn't fail. The HCV department has three performance goals: reduce 24 hour fails, reduce units with multiple fails, and reduce number of units that pass with comments (units passing, but on the edge). They are currently establishing a baseline and will work to get the number of fails down, as well as working on a monthly reporting process. The goal of Board is to reduce the amount of fails.

HUD is in the state inspecting another 1,000 units. They put much of the work out to bid, which resulted in four private contractors helping them with the inspections. Inspections will continue through mid-October. She is hoping that better results of these inspections, coupled with

MaineHousing's commitment to improve, will cause them to reconsider the need to inspect the remaining 3500 units.

2013 QUALIFIED ALLOCATION PLAN OVERVIEW AND PUBLIC HEARING

Mr. Brennan referenced tab 1 in the Board packet which represents the culmination of work done over many months that resulted in a complete rewrite of the Qualified Allocation Plan (QAP). He reviewed insignificant changes in the document that have occurred since June's public hearing. He also referred to the Quality Standards and Procedures Manual that eliminated the Green Building Standards and the Best Practices Guide. He noted the memo that articulated the approach for projects currently under construction to utilize the new quality and procedures standards.

Commissioner Capoldo made a motion seconded by Acting Director Peter Merrill to accept the 2013 Qualified Allocation Plan as presented. All Commissioners voted in favor of accepting the motion. The motion carried 5 – 0.

Concern was expressed about how MaineHousing staff will implement the changes. Mr. Merrill assured the board that the role of staff is to administer the policy set by the Board as they have in prior administrations.

Additional discussion occurred about the 90-year rule which requires the real estate be dedicated to affordable housing for 90 years, and the tax-credit funded projects that need refunding after 15 years. The Board would like to review the policy.

BOND COUNSEL SELECTION

Chair Anastos reported on an all-day interview process for Bond Counsel in July. He summarized by stating that two firms stood out – our current Counsel Hawkins Delafield and Wood and Kutak Rock. In an effort to contain costs and provide quality services, Commissioners recommended that we engage the services of Kutak Rock.

Commissioner Samson made a motion seconded by Acting Director Merrill to engage Kutak Rock as Bond Counsel. All Commissioners voted in favor of the motion. The motion carried 5 – 0.

MaineHousing staff will work on developing an RFP for Underwriter Counsel and a list of firms we would propose sending it to.

PRELIMINARY DISCUSSION OF OPEGA REQUIRED POLICIES

A new law requires the MaineHousing Board to adopt policies regarding the selection of vendors, travel, meals and entertainment, and contributions. Chief Counsel Linda Uhl reported on the work being done to draft the policies and raised some of the concerns vetted by senior staff for discussion. She referenced and reviewed the OPEGA law requirements, the timeline under the OPEGA Law, and the MaineHousing timeline. A discussion occurred among the Commissioners with particular interest in the definition of contributions related to business partnering.

An initial draft of the policies will be presented to the Board on September 18.

ANNUAL INFORMATION SECURITY COMMITTEE PROGRESS REPORT

Internal Audit Manager Linda Grotton provided the Board with the annual Information Security Committee (ISC) report. The ISC fulfills the role of the Information Security Officer and meets monthly. Linda reported on activities during the past year, which included deployment of updated computer system access policies for both internal employees and business partners. The policies were updated to address the protection of personally identifiable information, and were rolled out in conjunction with mandatory staff training. All non-encrypted MaineHousing outgoing emails are now scanned for social security numbers, and are returned to the sender with a reminder that they

need to be sent securely. The Information Services department continues to address and remedy vulnerabilities identified by Sage Data Security in its penetration tests, configuration and vulnerability assessments, and daily log monitoring. An RFI will soon be issued to identify solutions for implementing an audit trail within MERAC in response to concerns raised by the Social Security Administration. The ISC plans annual Disaster Recovery and Business Continuity drills in the fall of each year, and is also in the process of developing an Information Security Incident Response Plan to address incidents affecting the security of MaineHousing data.

Commissioner Merrill made a motion seconded by Commissioner Gregory pursuant to 1 M.R.S.A. 405.6.A. to go into Executive Session to discuss personnel issues. The motion carried 5-0.

Chair Anastos reconvened the Board meeting.

Commissioner Poliquin made a motion seconded by Commissioner Sampson to hire an outside firm to conduct a forensic audit with respect to computer related expenses from 2005 – current. The motion carried 5 – 0.

Commissioner Capoldo made a motion seconded by Commissioner Merrill that the Board authorizes a one-time payment of \$1,000 per month for a total of \$5,000 to Peter Merrill for his work as Acting Director. Commissioners Gregory, Capoldo, Samson and Merrill voted in favor of the motion. The motion carried 4 – 0.

Commissioner Capoldo made a motion seconded by Commissioner Merrill to compensate Director John Gallagher \$120,000 per year plus mileage compensation per MH policy and vacation time to be discussed within 30 days of hire. Commissioner Gregory, Capoldo, Samson and Merrill voted in favor of the motion. The motion carried 4 – 0.

Chair Anastos requested that a finance report be given on September 18 at the beginning of the meeting.

ADJOURN MEETING

A motion was made to adjourn the meeting. All Commissioners present voted in favor of the motion. The meeting was adjourned at 1:00 p.m.

Respectfully submitted,

Donald Gean, Secretary