

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

AUDIT AND FINANCE COMMITTEE MEETING

Capitol Extension  
Hearing Room E2.030  
1100 Congress Avenue  
Austin, Texas 78701

December 8, 2022  
9:30 a.m.

MEMBERS:

AJAY THOMAS, Chair  
LEO VASQUEZ, Member  
ANNA MARIA FARIAS, Member

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P R O C E E D I N G S

(9:30 a.m.)

1  
2  
3 MR. THOMAS: Welcome to the Meeting of the Audit  
4 and Finance Committee. At this point, I am going to take  
5 roll, and we will get started.

6 Mr. Vasquez.

7 MR. VASQUEZ: Here.

8 MR. THOMAS: Ms. Farias.

9 MS. FARIAS: Here.

10 MR. THOMAS: I am the Chair, Mr. Ajay Thomas. I  
11 am certainly present.

12 Before we begin, I wanted to take a privilege  
13 and recognize Mr. Holland Harper, who is going to join us  
14 on the Board, the full Board, later today. Holland,  
15 welcome. We look forward to having you as a colleague on  
16 the Board when we get started at the Board meeting at  
17 10:00.

18 Our first action item today is approval of the  
19 minutes from the September 1, 2022 Audit and Finance  
20 Committee meeting. During that meeting, Mr. Scott,  
21 Director of Internal Audit presented three report items:  
22 the internal audit of the inspection and licensing  
23 processes for migrant labor housing facilities, and the  
24 internal audit of information technology application  
25 controls, as well as a report on the status of the internal

1 and external audit activities.

2 The minutes are in the Committee members'  
3 packets. May I have a motion to approve the minutes?

4 MS. FARIAS: I so move, Mr. Chairman.

5 MR. THOMAS: Thank you. Motion made by Ms.  
6 Farias. Second?

7 MR. VASQUEZ: Second.

8 MR. THOMAS: Second by Mr. Vasquez.

9 All in favor, say aye.

10 (A chorus of ayes.)

11 MR. THOMAS: Opposed?

12 (No response.)

13 MR. THOMAS: None. The motion passes.

14 The second action item is the presentation,  
15 discussion, and possible recommendation of approval to the  
16 full Board of the fiscal year 2023 Internal Audit plan.

17 Mr. Scott will now present the audit plan and  
18 offer to answer any questions at the end of his  
19 presentation.

20 MR. SCOTT: Thank you, Mr. Thomas. We developed  
21 the Fiscal Year 2023 Internal Audit Plan utilizing the  
22 assessment matrix which has been updated for programs and  
23 issues related to the pandemic.

24 The first four audit areas on the plan received  
25 new or additional funding from pandemic-related funding

1 sources. They rated high on the risk assessment because of  
2 large dollar amounts and/or the newness of the programs and  
3 processes. The areas also include several new management  
4 and staff, or transfer of existing TDHCA staff to new  
5 positions.

6 The first audit on the plan is the Homeowner  
7 Assistance Fund, or HAF. The Texas Homeowner Assistance  
8 Fund provides financial assistance to qualified Texas  
9 homeowners who have fallen behind on their mortgage,  
10 utility payments, and related expenses due to the COVID-19  
11 pandemic.

12 This program gives eligible homeowners grants to  
13 cover past-due mortgage payments, up to three months of  
14 future mortgage payments, property taxes, insurance,  
15 Homeowner/condo association fees, past due utility  
16 payments, and up to three months of prospective utility  
17 payments. And it is funded through the American Rescue Plan  
18 Act of 2021. TDHCA will administer around a billion  
19 dollars under the HAF, and the Treasury Department issued a  
20 compliance supplement in April of 2022 for HAF. So there  
21 will be some available audit guidance.

22 We can take a pause here for questions.

23 MR. THOMAS: Any questions so far?

24 (No response.)

25 MR. THOMAS: None. Continue.

1 MR. SCOTT: The second audit on the plan is the  
2 HOME. And that is HOME in the sense of the federal program  
3 that TDHCA administers; the HOME tenant-based rental  
4 assistance program.

5 The Tenant-Based Rental Assistance program funds  
6 local organizations that provide rental subsidies, utility  
7 assistance, and security deposit assistance to individuals  
8 in their local communities. This was an existing TDHCA  
9 program under HUD that was expanded because of the  
10 pandemic.

11 TDHCA funds units of local governments, public  
12 housing authorities, local mental health authorities, and  
13 nonprofits that in turn assist individuals in their  
14 communities. This program has not been audited before by  
15 Internal Audit.

16 The third item on the plan is the HOME Disaster  
17 Relief funds. The Texas HOME Disaster Relief program is a  
18 long-term housing program, designed to help eligible  
19 organizations serving eligible households impacted by  
20 disasters. HOME Disaster Relief Funds are available to  
21 assist with federal or state declared disasters or other  
22 natural or manmade disasters that may occur.

23 These funds can be accessed to support impacted  
24 households not located in the communities that receive HOME  
25 funds directly from the US Department of Housing and Urban

1 Development, or HUD. This program is one of the resources  
2 used in response to the COVID-19 disaster declaration.

3 The fourth audit on the plan is the Community  
4 Development Block Grant; CDBG CARE. Community Development  
5 Block Grant CARES Act program is designed to help Texans  
6 respond to and recover from the impacts of COVID-19. The  
7 governor of Texas has designated the TDHCA as the  
8 administrator of this program.

9 The U.S. Department of Housing and Urban  
10 Development or HUD has awarded TDHCA a total of \$141  
11 million in CDBG CV funds. This program is new to the  
12 Agency, and has not been audited.

13 So those are the ones that were primarily  
14 generated out of the new COVID funds.

15 The next audit on the plan is a smaller one. It  
16 is the Texas Bootstrap Loan program. The Bootstrap Loan  
17 program is an owner/builder program that is administered by  
18 TDHCA. It is a self-help housing construction program that  
19 assists very low income households to purchase or refinance  
20 real property on which to build or repair housing by  
21 contributing the labor themselves.

22 This program rated high on the risk assessment  
23 and was selected to audit due to lack of any prior audits.

24 And it is important to helping very low income individuals  
25 during the current economic environment.

1           The next one is an administrative audit; an  
2           audit of administrative services and staff services. The  
3           staff services section of administration at TDHCA provides  
4           management requirements related to TDHCA and Manufactured  
5           Housing employees and facilities such as asset inventory  
6           for both technology and facility components; facility  
7           management, and records management and retention, as well  
8           as mail operations.

9           This function rated high on the annual risk  
10          assessment due to lack of any prior audits, and the changes  
11          that occurred during the COVID-19 pandemic, and its  
12          possible effects on those areas.

13          And then the seventh audit, the last audit is  
14          Texas Statewide Homebuyer Education Program, TSHEP, and  
15          Texas Homebuyer University. Texas Statewide Homebuyer  
16          Education Program is a product of the Texas Homebuyer  
17          Program, which was created to help Texans achieve the dream  
18          of home ownership.

19          The program offers trained housing counselors to  
20          coach home buyers through the home buying process, and it  
21          offers group classes as well as one-on-one assessments.

22          Texas Homebuyer U is another product of the  
23          Texas Homebuyer Program. It offers free online educational  
24          resources about the home buying process and mortgage credit  
25          certificates, MCCs, to home buyers. TDHCA requires



1 completion of the Homebuyer Education Course to obtain one  
2 of its loans or an MCC.

3           These two programs are ranked high on risk  
4 assessment due to their importance to TDHCA clients and  
5 also recent management changes. So with that, I will --

6           MR. WILKINSON: I do have a question on this  
7 one.

8           MR. SCOTT: Yes. Sure.

9           MR. WILKINSON: Sorry I didn't talk to you about  
10 it when we posted the plan. Was this not covered when we  
11 did the audit of the Home Ownership Division generally?

12           MR. SCOTT: Not in detail.

13           MR. WILKINSON: Okay. And that is the idea,  
14 just to kind of focus on this one part of the program?

15           MR. SCOTT: Yes.

16           MR. WILKINSON: I just worried. You know, small  
17 division hit with an audit.

18           MR. SCOTT: Right. No. I understand. I had  
19 the same thought, but this was not addressed during that  
20 audit.

21           MR. WILKINSON: Okay. Thank you, sir.

22           MR. SCOTT: So with that, I will answer any  
23 questions, any additional questions. And then I will ask  
24 for a recommendation for approval to the full Board for the  
25 2023 Internal Audit Plan.

1 MR. THOMAS: Thank you, Mr. Scott. Any  
2 questions from members of the Committee on the programs Mr.  
3 Scott discussed for the full audit plan?

4 MR. VASQUEZ: I do have just one general  
5 question on how do you feel you are set for resources to  
6 carry out these audits, and then on timing, when they're  
7 all going to get done.

8 MR. SCOTT: Okay. Well, as I will discuss in a  
9 second, as you know last year, the TRR program was a huge  
10 program that jumped way to the top of the risk assessment.  
11 I had to put it on the audit plan.

12 Subsequent to that, the SAO came along and said  
13 they were going to audit it. I was like, good; welcome to  
14 it. I had the same feeling this year, for example, with  
15 HAF. It is a huge program. But so far I have talked to the  
16 external auditors, I have talked to CLA, I have talked to  
17 the State Auditor's Office. They don't have any intention  
18 of auditing it, so I pretty much have to do something on  
19 that.

20 MR. THOMAS: So getting back to Mr. Vasquez's  
21 question, do we have sufficient resources for you to carry  
22 out the plan for the audit, and timing?

23 MR. SCOTT: Yes. I have -- Suzi Nelson got a  
24 job at UT, but I am going to replace her position with  
25 somebody with a similar set of skills. I think the same

1 question came up last year, we completed the audit. So, but  
2 that is kind of the bind I am in with the risk assessment,  
3 because you have to rate things according to the risk.  
4 And, you know, it could be that if HAF turns into an  
5 enormous audit and I don't get any help from outside the  
6 SAO or CLA, I may ask for -- help, but I usually get  
7 through it.

8 MR. THOMAS: So as a follow-up to Mr. Vasquez's  
9 question, so you -- say we do get external help, and they  
10 take the HAF program this week, as we think they may -- or  
11 when do you think -- what is the difference in sort of  
12 timeline of getting the audits done, having to do HAF  
13 versus --

14 MR. SCOTT: Well, probably what I'll do with HAF  
15 is do some of the groundwork first and get an idea of the  
16 lay of the land but kind of hold off on starting the actual  
17 audit unless I see something, in perusing the lay of the  
18 land, if I see something that looks very risky, I will  
19 accelerate that audit.

20 But otherwise I kind of plan to start the HAF  
21 audit, the testing and the detail work, a little bit later,  
22 with that contingency that the SAO and CLA come along and  
23 say they are going to audit it.

24 MR. THOMAS: Okay. Great. Any other questions,  
25 Members?

1 MS. FARIAS: Believe it or not, Mr. Chairman, I  
2 don't have any questions for a very simple reason: They  
3 gave me a two-hour briefing.

4 MR. THOMAS: Excellent plan of action.

5 MS. FARIAS: Avoided all these potential  
6 questions. Right.

7 MR. THOMAS: Very good. Well, if there are no  
8 other additional questions, then the Chair will entertain a  
9 motion to take the full recommendation of the approval to  
10 the full Board of the fiscal year 2023 Internal Audit Plan.

11 MS. FARIAS: Mr. Chairman, I so move to  
12 recommend to take the approval of fiscal year 2023 Internal  
13 Audit annual plan to the full Board for action.

14 MR. THOMAS: Thank you, Ms. Farias. Motion by  
15 Ms. Farias. I would take a second.

16 MR. VASQUEZ: Second.

17 MR. THOMAS: Second from Mr. Vasquez. All in  
18 favor, say aye.

19 (A chorus of ayes.)

20 MR. THOMAS: Opposed?

21 (No response.)

22 MR. THOMAS: The Chair recognizes none. The  
23 motion passes. Let's move on. So next we have three  
24 report items for Mr. Scott to present. These are report  
25 items, so there will be no motions attached to these.

1           The first report item on the agenda is  
2 presentation and discussion of the Internal Audit self-  
3 assessment report. Mr. Scott will present the report and  
4 then offer to answer questions at the end of his  
5 presentation.

6           MR. SCOTT: Thank you, Mr. Chair. Yeah, the  
7 self-assessment is a required part of the quality assurance  
8 process for Internal Audit. For this self-assessment, we  
9 use the Internal Audit standards checklist that was created  
10 by the State Agency Internal Audit Forum.

11           For this year, we selected the internal audit of  
12 the Texas Home Ownership program for self-assessment and  
13 quality assurance review. Our analysis included  
14 organizational structure of the Internal Audit function,  
15 internal processes scope areas covered by Internal Audit as  
16 well as operations of the Divisions.

17           We identified some minor improvement  
18 opportunities related to documentation of interviews, and  
19 we have implemented new processes that would address those.

20           As for Bobby's question, one of the things we  
21 noticed when we reviewed it was that they didn't audit  
22 those education -- or we didn't get the scope of the audit.  
23 So any questions on that?

24           MR. THOMAS: So that concludes the first report.  
25 Any questions for Mr. Scott related to the first report?

1 (No response.)

2 MR. THOMAS: Hearing none, then let's move on.  
3 The second report item on the agenda is presentation and  
4 discussion of the Internal Audit annual report.

5 MR. SCOTT: Yes. This is a statutory  
6 requirement report that is submitted to the oversight  
7 bodies annually. In this report, we reconcile audits that  
8 have been completed during the past year to the audits that  
9 were on the approved audit plan.

10 One of the audit units in our fiscal year '22  
11 plan was the Texas Rental Relief Program. We initiated  
12 this audit in August of '22; however, we later received  
13 notification from the State Auditor's Office that they had  
14 selected the two contracts related to TRR for their audit,  
15 so we put that audit on hold basically, to avoid  
16 interference with the SAO's reviews and their audit.

17 Our only carryover from fiscal year '22 is the  
18 follow-up of the SAO's audit of manufactured housing, the  
19 recent inspection and licensing. And this follow-up is  
20 included in the fiscal '23 plan. Other than that, all of  
21 the audits on our fiscal year 2022 plan have been completed  
22 at this point.

23 MR. THOMAS: Thank you, Mr. Scott.

24 Are there any questions for Mr. Scott at this  
25 time, on the Internal Audit Annual Report?

1 (No response.)

2 MR. THOMAS: Hearing none, let's move on. So  
3 the third item -- or third report item on the agenda is a  
4 report on the status of internal and external audit  
5 activities.

6 Once again, Mr. Scott will present the report  
7 and then offer to answer any questions at the end of his  
8 presentation.

9 Mark,

10 MR. SCOTT: Thank you. Yes. The State  
11 Auditor's Office is finishing up their annual audit of the  
12 Agency financial statements. All indications are that this  
13 audit is going well. I think the Board may have gotten the  
14 email yesterday.

15 MR. SCOTT: So CliftonLarsonAllen is completing  
16 the federal compliance portion of the statewide audit, and  
17 their audit includes compliance work on Texas Rental Relief  
18 assistance. And all indications are that that audit is  
19 going well as well. And also it is noted that State  
20 Auditor's Office is auditing TRR.

21 So that concludes my presentation. I will be  
22 happy to answer any questions that there may be.

23 MR. THOMAS: Thank you, Mark. Well done on the  
24 reports.

25 Any questions for Mr. Scott, related to the

1 third and final report?

2 (No response.)

3 MR. THOMAS: All right. Hearing none, this  
4 actually brings us to the end of our agenda for today's  
5 Audit and Finance Committee meeting, so if there is no  
6 other business, we will conclude today's meeting. The  
7 Chair ends the meeting. It is adjourned at 9:49 a.m. Thank  
8 you, everybody.

9 (Whereupon, at 9:49 a.m., the meeting was  
10 concluded.)



C E R T I F I C A T E

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MEETING OF: TDHCA Board Audit & Finance Committee

LOCATION: Austin, Texas

DATE: December 8, 2022

I do hereby certify that the foregoing pages,  
numbers 1 through 17, inclusive, are the true, accurate,  
and complete transcript prepared from the verbal recording  
made by electronic recording by Latrice Porter before the  
Texas Department of Housing and Community Affairs.

DATE: December 14, 2022

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(Transcriber)

On the Record Reporting  
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