

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

AUDIT AND FINANCE COMMITTEE MEETING

VIA TELEPHONE AND WEB LINK

March 11, 2021
8:30 a.m.

MEMBERS:

SHARON THOMASON, Chair
PAUL A. BRADEN, Member
AJAY THOMAS, Member
LEO VASQUEZ, Member

I N D E X

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ROLL CALL	
CERTIFICATION OF QUORUM	
ACTION ITEMS:	
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PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS	none
EXECUTIVE SESSION	none
OPEN SESSION	--
ADJOURN	14

P R O C E E D I N G S

1
2 MS. THOMASON: Good morning and welcome to the
3 March 11 meeting of the TDHCA Audit and Finance Committee.

4 I will take roll, even though we can all see each other.

5 Mr. Braden?

6 MR. BRADEN: Here.

7 MS. THOMASON: Mr. Thomas?

8 MR. THOMAS: Here.

9 MS. THOMASON: Mr. Vasquez?

10 MR. VASQUEZ: Present.

11 MS. THOMASON: Perfect. We have a couple of
12 action items for today, and a couple of report items. Our
13 first action item is going to be approval of the minutes
14 for the December 10, 2020 meeting of the Audit and Finance
15 Committee.

16 At that meeting, the Director of Internal Audit,
17 Mr. Mark Scott, presented the Internal Audit annual work
18 plan as an action item for recommendation for approval to
19 the full Board. The Committee voted in favor of the plan.

20 Mr. Scott also presented three report items:
21 The Internal Audit review of the implementation status of
22 prior audit findings and recommendations; the presentation
23 and discussion of Internal Audit annual report; and the
24 report on the status of internal and external audit
25 activities.

1 Mr. Joe Guevara, who is the Director of
2 Financial Administration, also presented the draft
3 computation of the Housing Finance Division total and
4 unencumbered fund balances and transfers to the State of
5 Texas Housing Trust Fund.

6 The Committee voted to recommend approval of
7 that document to the full Board, but there are no other
8 items. May I have a motion to approve the minutes from the
9 December 10 Audit and Finance Committee meeting?

10 MR. THOMAS: Madame Chair, I move to approve a
11 motion -- to approve the minutes from the December 10 Audit
12 and Finance Committee meeting.

13 MS. THOMASON: Okay. Thank you. I have a
14 motion by Mr. Thomas.

15 And, Mr. Braden, would you like to make yours a
16 second?

17 MR. BRADEN: Second.

18 MS. THOMASON: Okay. Perfect. All those in
19 favor?

20 (A chorus of ayes.)

21 MS. THOMASON: Hearing none opposed, the minutes
22 are approved.

23 Our second action item on today's agenda is the
24 presentation, discussion, and possible recommendation to
25 the full Board of the State Auditor's Office audit of the

1 TDHCA financial statements.

2 It will be presented to us today by Mr. Robert
3 Pagenkopf with the State Auditor's Office. Robert?

4 MR. PAGENKOPF: Good morning, Madame Chair,
5 members. My name is Robert Pagenkopf, and I'm a project
6 manager with the State Auditor's Office. This morning,
7 we'll be discussing the results of our most recent
8 financial audits at the Department.

9 As in previous years, there are a number of
10 deliverables related to this project. Part of that, we
11 issued two unmodified opinions as part of the audit. One
12 for the Department's basic financial statements for fiscal
13 year 2020, and one for the Department's Revenue Bond
14 Program financial statement for fiscal year 2020.

15 We determined that these financial statements
16 were materially correct and reported in accordance with
17 generally accepted accounting principles, or GAAP. In
18 other words, we determined that the statements, as issued,
19 were not misleading to the readers of those statements.

20 Additionally, we also concluded that the
21 Department's Housing Finance Division's computation of
22 unencumbered fund balances complies with Texas Government
23 Code Sections 2306.204 and 2306.205. We also issued a
24 report on the Department's compliance with the Public Funds
25 Investment Act for the fiscal year ended August 31, 2020.

1 The result of that work disclosed no issues of
2 noncompliance or other matters that are required to be
3 reported under government auditing standards. I would also
4 like to briefly mention a communication that you all
5 received at the end of our audit on December 18, 2020.

6 It was a document titled Required Communication
7 with Those Charged with Governance. I quickly want to
8 point out that that document states that we did not
9 identify any misstatements that required correction and
10 that we did not encounter any disagreements with management
11 during the audit.

12 Prior to the fiscal year 2020 financial
13 statement audit work, we also issued an unmodified or clean
14 opinion on the Department's fiscal year 2019 financial data
15 schedule as it related to the fiscal year 2019 basic
16 financial statements.

17 Additionally, we've performed agreed-upon
18 procedures and determined that the electronic submission of
19 certain information to the U.S. Department of Housing and
20 Urban Development's Real Estate Assessment Center agreed
21 with the related hard-copy documents.

22 Specifically related to this work, as you may be
23 aware, the U.S. Department of Housing and Urban Development
24 requested some changes related to the Department's 2019
25 financial data schedule, and to assist in that effort, we

1 are actively auditing those changes and anticipate issuing
2 a new opinion on the revised 2019 financial data schedule
3 within the next week.

4 Lastly, I would like to thank Mr. Cervantes and
5 the folks in Financial Administration, Accounting, Bond
6 Finance, and Information Security. Without them, you
7 know -- we tested their patience. We appreciate all their
8 putting up with us and them getting things to us timely in
9 an efficient manner.

10 We'd also like to thank Mr. Scott and Internal
11 Audit for their assistance and cooperation throughout the
12 audit. This concludes my comments, and I'd be happy to
13 answer any questions that you may have.

14 MS. THOMASON: Thank you. Do any of the
15 Committee members have any questions for Mr. Pagenkopf?

16 MR. VASQUEZ: Sounds good.

17 MS. THOMASON: Okay. Hearing none, I would ask
18 for a motion to approve a recommendation to the full Board
19 of the State Auditor's Office report.

20 MR. BRADEN: So moved.

21 MS. THOMASON: Okay. Mr. Braden. Is there a
22 second?

23 MR. VASQUEZ: Second.

24 MS. THOMASON: And second by Mr. Vasquez.

25 All in favor?

1 (A chorus of ayes.)

2 MS. THOMASON: Hearing none opposed. Thank you,
3 Mr. Pagenkopf, very much for your report. The next item on
4 our agenda is the presentation and discussion of internal
5 audit and the continuity of operations, or the COOP, at
6 TDHCA.

7 And Mr. Scott is here to present that to us this
8 morning.

9 MR. SCOTT: Thank you, Madame Chair. Yes. This
10 item is the internal audit of the Continuity of Operations
11 Plan, or COOP. The audit was on the 2020 Audit Plan, but
12 we delayed it so as not to do it during the height of the
13 COVID-19 disruptions.

14 During last year, TDHCA had its business
15 continuity abilities stressed and tested by the COVID-19
16 situation, and the agency was able to adapt quickly and
17 effectively. We started our audit after the situation had
18 become more stable.

19 We found that the agency adapted well with
20 innovative solutions during 2020. The audit of the
21 agency's COOP included evaluation of business continuity
22 planning and also disaster recovery readiness. State
23 requirements for COOP are in the Texas Labor Code and the
24 Texas Administrative Code.

25 We tested against those criteria. COOP refers

1 to a group of activities designed to ensure business
2 continuity and disaster recovery, but we also refer to COOP
3 as the formal document required by the Government Code in
4 TAC.

5 This is a living document that is updated
6 periodically. As noted, the agency was able to adapt
7 quickly to the COVID situation. However, there was no loss
8 of key personnel or systems, which there may be in the
9 event of another disaster. We had recommendations for
10 updating and testing the COOP more frequently.

11 One thing in particular that needs reevaluation
12 by management is the recovery time objective. It is
13 currently estimated at three days. A recent test found
14 that this is not an accurate estimate, since the business
15 continuity planning is contingent on the time it takes for
16 IT and other systems to be recovered. This is a critical
17 path item. I remember that from business school.

18 So that concludes my presentation of the COOP
19 audit, and I'll be happy to answer any questions there may
20 be.

21 MS. THOMASON: Thank you, Mr. Scott.

22 Do any of the Committee members have questions
23 for Mr. Scott related to the COOP internal audit?

24 (No response.)

25 MS. THOMASON: I have just one. So how many

1 days do you think is more accurate, as far as the recovery?

2 MR. SCOTT: I don't know. Suzi's on the line.
3 She -- I think she could answer that more specifically, but
4 I think it's -- there's various systems that all need to be
5 up in order for us to say we have all the systems up and
6 ready in order to proceed.

7 So, for example, like we said that -- Suzi, do
8 you want to talk about that?

9 MS. NELSON: Yes. Can you hear me, Ms.
10 Thomason?

11 MS. THOMASON: Yes.

12 MS. NELSON: Okay. So we don't really know
13 exactly what the appropriate recovery time objective is.

14 The three days is based on how much time DIR,
15 which is the Department of Information Resources, is
16 committed to bring the environment to us, as TDHCA, that we
17 then work -- our Information Systems Group will work tasks
18 to bring the server -- you know, the environment and the
19 systems to the point where we can use them.

20 The most recent test only tested three servers
21 out of 11, and although they were working on other
22 functions at the same time, it did take a week.

23 So basically the process that they need to go
24 through is just kind of deriving an appropriate recovery
25 time objective by looking at, well, what business functions

1 would cause us the most pain from a regulatory or a
2 financial or a customer perspective.

3 And then, bring that in and figure out - okay.
4 How long could we go without systems? I think right now
5 they're saying three days, but we know we can't get there.

6 So they just need to look at what is reasonable
7 as far as the expectation for the Information Systems group
8 and how much money we want to spend on that, if we want to
9 reduce the recovery time objective.

10 MS. THOMASON: Okay. Thank you.

11 MR. SCOTT: Yeah. So I -- yeah. There was
12 some -- when we presented the audit, I was kind of
13 thinking, well, we may end up having too many big-ticket
14 items on the recommendations, so we were cognizant of that.

15 The recovery time objective needs to be accurate
16 for the rest of the COOP to be accurate.

17 MS. THOMASON: Okay. Thank you. Are there any
18 other questions?

19 MR. BRADEN: I have a question. Maybe it's
20 somewhat related. So, when the winter storm came through
21 and disrupted the whole state, did anything trigger with
22 the agency and that maybe triggered this plan? I mean,
23 were there any busted pipes or loss of data or anything
24 like that?

25 MR. SCOTT: I guess I'll defer to Bobby on that.

1 I think that everything went smooth as far as I know.

2 MR. WILKINSON: We had several employees that,
3 you know -- we're doing so much teleworking that the
4 building is empty anyway. We had several employees who
5 couldn't work because they lost power and internet and
6 couldn't function, so I had to approve a lot of emergency
7 leave.

8 But as far as systems going down, not that I'm
9 aware of. I don't think we lost any data or anything. We
10 were launching the new emergency rental -- you know, Texas
11 rent relief, on the 15th, like the first day of the storm,
12 so that was affected.

13 That call center was at like one-third capacity.
14 A huge backlog of messages got built up. That was, you
15 know, a vendors' problem -- it was ours, but it wasn't like
16 lost data or anything. It was just poor customer service,
17 affected by the storm temporarily.

18 MR. BRADEN: Okay. Thank you.

19 MS. THOMASON: Any other questions?

20 (No response.)

21 MS. THOMASON: Okay. Hearing none, I would ask
22 for -- oh, that's a report item. We don't need to vote on
23 that. We do have one other report item, and the last item
24 today is the report on the status of internal and external
25 audit activities, and Mr. Scott will present that for us as

1 well.

2 MR. SCOTT: Yes. Thank you. The State
3 Auditor's Office completed their audit. So, our financial
4 statement, as discussed by Mr. Pagenkopf -- if there's any
5 additional questions, I can answer those. The
6 Comptroller's Office is completing their post-payment
7 audit, and we've been in contact with them pretty
8 regularly.

9 My understanding is that the audit is going
10 well, and they will be finished with field work by the end
11 of this month. They're going to have some minor
12 recommendations related to taking advantage of rebates and
13 some other minor things.

14 The federal compliance portion of the statewide
15 audit was issued by CliftonLarsonAllen. The old finding
16 related to the LIHEAP Program's household data system has
17 now been completely resolved, and so it won't appear in
18 future reports.

19 We have -- as far as the status of the internal
20 audit plan, we've started working on the nonperforming
21 loans audit and on the affirmative marketing and tenant
22 selection plan audit. We hope to have those two audits and
23 one of the others from the plan ready at the June Audit and
24 Finance Committee meeting.

25 So, that concludes my presentation. I'll be

1 happy to answer any questions there may be.

2 MS. THOMASON: Thank you, Mr. Scott. Are there
3 any questions for Mr. Scott related to internal and
4 external audit activities report?

5 (No response.)

6 MS. THOMASON: Okay. I guess we don't have any
7 more questions. If there are none, then that concludes our
8 meeting today. I will adjourn the meeting at 8:46 a.m.
9 Thank you all very much.

10 (Whereupon, at 8:46 a.m., the meeting was
11 adjourned.)

C E R T I F I C A T E

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3 MEETING OF: TDHCA Board Audit & Finance Committee

4 LOCATION: Austin, Texas

5 DATE: March 11, 2021

6 I do hereby certify that the foregoing pages,
7 numbers 1 through 15, inclusive, are the true, accurate,
8 and complete transcript prepared from the verbal recording
9 made by electronic recording by Elizabeth Stoddard before
10 the Texas Department of Housing and Community Affairs.

11 DATE: March 15, 2021
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18 _____
(Transcriber)

19
20 On the Record Reporting
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