

**MINUTES OF THE AUDIT AND FINANCE COMMITTEE MEETING
OF THE GOVERNING BOARD OF THE
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

On Thursday, December 11, 2025, at 9:30 a.m. the meeting of the Audit and Finance Committee (the "Committee") of the Governing Board (the "Board") of the Texas Department of Housing and Community Affairs ("TDHCA" or the "Department") was held in the Dewitt C. Greer State Highway Building, Williamson Board Room, 125 E. 11th Street, Austin, Texas. Mr. Ajay Thomas, the Chair of the Audit and Finance Committee, presided over the meeting, and Mr. Mark Scott, Director of Internal Audit Division, served as the secretary. Committee members, Ms. Anna Maria Farias, Ms. Cindy Conroy and Mr. Leo Vasquez were present and represented a quorum for the Committee meeting.

Mr. Thomas started the meeting by taking roll and welcoming everyone to the meeting, and said that on today's agenda there are two action items and four report items. The first action item on the agenda was the approval of the minutes from the September 4, 2025, meeting of the Audit and Finance Committee. The minutes were adopted as presented and were approved. Mr. Thomas then moved to the next Action item on the agenda; "Presentation, discussion, and possible recommendation of approval to the full board of fiscal year 2026 internal audit annual work plan", and it was presented by Mr. Scott, Director of Internal Audit.

Mr. Scott said that the fiscal year 2026 internal audit work plan was developed by utilizing the annual risk assessment matrix of the auditable units, as well as taking into consideration any input from oversight bodies and TDHCA management. We also like to confirm that the internal audit remains independent in performing its audit activities. The project numbers are for identification purposes only and may not correspond to the order in which the projects are performed. Internal Audit standards require that we audit the highest risk areas. The following are the auditable units that are rated high on our risk assessment matrix; State Housing Tax Credit, Tax Lien Management at Manufactured Housing (MH) division, Housing Resource Center, My First Texas Home, Record Retention program, and 10% Test (HTC) function at Asset Management division.

Mr. Scott provided a description of each selected unit and the reasoning for selecting each of them. He then offered to answer any questions that the Committee members may have. Mr. Vasquez asked about the Tax Lien Management audit. Mr. Scott said that Manufactured Housing is administratively attached to TDHCA, and administrative functions such as internal audit are provided to them through an MOU. Mr. Wilkinson, Executive Director, said that through our interagency agreement they pay TDHCA for certain things, mostly IT and accounting-related functions, and also internal audit services. Mr. Vasquez asked if MH is generally cooperative, and Mr. Scott confirmed that they have been cooperative in the past. Mr. Wilkinson continued by saying that this is a voluntary contracted service, and that IA does not have statutory authority over MH, nor do they work for MH.

Mr. Thomas then asked Mr. Wilkinson about My First Time Home program and its eligibility requirements. Mr. Wilkinson confirmed that First-time homebuyer by definition doesn't actually mean first-time homebuyer. The next question was about AMFI of the applicant, and whether the applicant will qualify based on the county they're purchasing a home at or the county they were residing at. And if looking to purchase in a different county might help some applicants qualify for the program. Mr. Wilkinson said that he would get back to the chair with answer to that question. With no other questions Mr. Thomas entertained a motion to approve a recommendation to the Governing Board for the approval of the internal audit plan for FY 2026. Ms. Farias moved a motion to approve recommendation and was second by Ms. Conroy. Motion passed. Mr. Thomas then moved to the first report item on the agenda; Presentation and discussion of Internal Audit of Real Estate Analysis division, and was presented by Mr. Scott.

Mr. Scott said that the Real Estate Analysis division was included in the internal audit annual plan for FY 2025 due to its complexity of operations, and lack of any recent internal audit of the division. The objectives for this audit were to examine and assess the Department's underwriting process, and to determine if the underwriting is performed according to applicable rules and completed in timely manner. Based on IA's review and analysis, the Real Estate Analysis division is operating effectively at TDHCA in providing necessary analytical reports to management and the TDHCA Governing Board to make well informed decisions for funding affordable housing developments in Texas. OIA concludes that the underwriting process is generally performed accurately and according to applicable rules. Some areas for improvement were identified, and Management agreed to the recommendations. The details are included in the report.

Mr. Scott then offered to answer any questions for the members. With no questions, Mr. Thomas moved to the next report item on the agenda; presentation and discussion of the internal audit report on the implementation status of the prior audit findings and recommendations, and was presented by Mr. Scott.

Mr. Scott said that this report is an administrative report on the status of the prior internal audit and external audit findings and recommendations. Internal Audits are required to submit an annual report to comply with internal auditing standards. We reviewed the implementation status of all audit findings and as shown in the report, all prior year's findings have been closed. The details are in the report. There were no questions from the members on the report item. The next report item was the internal audit annual report for fiscal year 2025. Mr. Scott presented the report and said that this is another statutorily required report that is submitted to all the oversight bodies annually. In this report we reconcile audits that have been completed during the past year to the audits that were on the approved audit plan. We have completed all the auditable units on our FY25 audit work plan, and we will start on our FY26 plan once it is approved by the Board. That concluded Mr. Scott's presentation of the annual audit report.

With no questions on the annual report Mr. Thomas moved to the last report item, report on the status of internal and external audit activities. Mr. Scott said that the Treasury, OIG, are still

working on audit of Texas Rent Relief (TRR) program. The Treasury department is also conducting a desk review of Housing Assistance Fund (HAF) program, and is expected to be wrapped up in January.

CliftonLarsonAllen (CLA) has included LIHEAP, ERA, and CSBG as major programs for testing in the 2025 statewide audit based on the final tallies of expenditures. The statewide audit will be issued early next year. And State Auditor's Office is conducting their annual audit of the TDHCA financial statements. As of next year, this audit will be procured through outside entities. Mr. Scott offered again to answer questions for the committee members. There were no questions from the members, and the meeting was formally adjourned at 9:49am.