

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

On Thursday, March 6, 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, 125 E. 11th Street, Williamson Board Room, Austin Texas. Mr. Ajay Thomas, the Chair of the Audit and Finance Committee, presided over the meeting, and Mr. Mark Scott, Director of the Internal Audit Division, served as the secretary. Committee members Ms. Cindy Conroy and Mr. Leo Vasquez were present and represented a quorum for the Committee meeting. Ms. Anna Maria Farias had an excused absence.

Mr. Thomas started the meeting by taking roll and welcoming everyone to the meeting, especially Ms. Conroy as a new Committee member. He then moved to the first action item on the agenda; approval of the minutes from December 12, 2024, meeting of the Audit and Finance Committee. The minutes were adopted as presented and were approved.

The next action item on the agenda was "Presentation, discussion, and possible recommendation for approval of the State Auditor's Office audit of the TDHCA financial statements for 2024 to the governing board" and was presented by Mr. Clayton and Mr. Sumners from SAO.

Mr. Clayton started his presentation by introducing himself as the audit manager, and Mr. Sumners as the project manager on this audit, and took the opportunity to thank all the staff at TDHCA for their cooperation and assistance. Mr. Sumners continued the presentation and said that they issued two unmodified opinions as part of their engagement; one on the Department's FY 24 basic Financial Statements, and one on the Department's Financial Statements related to the Revenue Bond program for FY 2024. In both cases they identified that the Financial Statements were materially correct and that they were reported in accordance with the Generally Accepted Accounting Principles, or GAAP. Additionally, it was concluded the Department's Finance division's computation of unencumbered fund balances complies with Texas Government Code Section 2306.204 and 205. The SAO also issued a report on the Department's compliance with the Public Funds Investment Act for the end of fiscal year ending August 31, 2024. The results of all that work were disclosed and there were no issues of noncompliance or other matters that were required to be disclosed under Government Auditing Standards.

Prior to fiscal year 2024 Financial Statements audit work, SAO issued an unmodified or clean opinion on the Department's fiscal year 2023 financial data schedule as it relates to the fiscal year 2023 basic Financial Statements. SAO also performed agreed-upon procedures and

determined that the electronic submission of certain information to the US Department of Housing and Urban Development's Real Estate Assessment Center agreed with related hard copy documents and HUD accepted the Department's submission in October. At the conclusion of the presentation Mr. Sumners offered to answer any questions that the Committee members may have. Mr. Vasquez asked a general question regarding potential risks of fraud in reporting. Mr. Clayton provided an explanation for their process of evaluating and identifying any significant risks. Mr. Thomas also expressed his appreciation for TDHCA staff and their continuous cooperation with SAO's staff. With no other comments or questions, Mr. Thomas asked for a motion to approve the recommendation of the State Auditor's Office report to the full board. The motion was made by Ms. Conroy and seconded by Mr. Vasquez. Motion passed.

The next item on the agenda was the "Internal Audit report of Amy Young Barrier Removal Program", and was presented by Mr. Mark Scott, Director of Internal Audit division. Mr. Scott said that the Amy Young Barrier Removal Program (AYBRP) was identified during the fiscal year 2025 risk assessment and rated high on the risk assessment matrix due to lack of recent audit of the program, and its importance in helping low-income individuals with disability to live in a safe and hazardous free home. Our scope for this audit included a review of the applicable Texas Administrative Codes, program manual and program SOPs, and internal controls related specifically to the AYBR program. We also conducted interviews with several key program staff and performed testing and analysis of the operation of the program from the approval process of the Administrators to approval and funding of individual projects. Administrators are subrecipients subject to CFR 200 and the Single Audit Act. Also, the program is based on reimbursement, so funds are paid after projects are complete.

For this audit we randomly selected six Administrator files from a total of 54 active administrators who serve different counties in Texas, and eight Applicants' files from a total of 73 applications that were approved and / or funded during fiscal year 2024. The selected sample were reviewed and tested for accuracy, completeness, and compliance with all applicable rules. Based on our review and testing, the Amy Young Barrier Removal program seems to be operating effectively in assisting low-income Texans live in safe and hazardous free homes. We had no findings for this program. It was a "clean audit". Mr. Scott offered to answer questions for the Committee members. Mr. Thomas asked if this was the first audit of this program. Mr. Scott said that this is the first internal audit of this program. He also said that generally the programs under Ms. Versyp seem to be operating well and have no findings.

With no other questions, Mr. Thomas moved to the next report item on the agenda; "Report on the status of the internal and external audit activities" and this was presented by Mr. Scott as well. Mr. Scott said that, as just presented, the SAO completed the audit of the TDHCA financial statements along with the financial statement portion of the statewide audit which included

TDHCA. This audit resulted in an unqualified, or “clean” opinion. The federal compliance component of the statewide audit was conducted by CliftonLarsonAllen (CLA). CLA had audited as “major programs” Low Income Home Energy Assistance Program (LIHEAP), Emergency Rental Assistance (ERA), and Homeowners Assistance Fund (HAF), and did follow-up work this year to clear their prior Year findings. All the prior year’s findings were corrected / cleared, and for this year they had a minor finding related to LIHEAP and the HOME program, which the agency is currently working on. Just a note; major program designation for Single Audit is determined based on program size and risk.

Mr. Scott gave some background on what Single Audit test for “major programs”. The key compliance requirements tested for Single Audits typically include activities allowed or unallowed, allowable cost principles, eligibility, matching, level of effort, earmark, period of performance, subrecipient monitoring, cash management, and internal controls. These guidelines are in the OMB Compliance supplement, and the CLA audit provides good assurance over the federal funds. Also, there was follow-up work done on the SAO audit of the procurement of the TRR contracts, and all the prior year findings have been cleared. There is still some review work by Federal OIG in process.

On the internal audit activities Mr. Scott said that on the FY 2025 audit plan, we completed the Amy Young Barrier Removal program audit. We started the audit of the Davis Bacon Act activities and the audit of Rent Approval processes. The strategy was basically to get the small internal audits done while the external audits were being finished. Then we will tackle the bigger audits on the plan like REA and Single-Family Mortgage Revenue Bond. That concluded Mr. Scott’s presentation, and he offered to answer any questions that the committee members may have.

Mr. Thomas thanked Mr. Scott for his presentation. Mr. Vasquez asked about the OIG review. Mr. Scott said that about a year or so ago they sent TDHCA a letter saying they’ll be auditing TRR program, and as of today OIA has not seen any indications that their audit is finished and haven’t seen any updates on their findings. Mr. Vasquez then asked if there were any initial findings. Mr. Scott said that, as it was discussed a couple of years ago, the rental assistance program had various kinds of recipient fraud.

With no further questions or comments, Mr. Thomas formally adjourned the meeting at 9:47.