



TDHCA Governing Board Audit and Finance Committee Meeting Transcript*

***09:30 a.m.
June 12, 2025***

***Dewitt C. Greer State Highway Building,
Williamson Board Room***

125 E. 11th Street, Austin, TX 78701

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BOARD MEMBERS:

AJAY THOMAS, CHAIR

LEO VASQUEZ III, MEMBER

ANNA MARIA FARIAS, MEMBER

CINDY CONROY, MEMBER

SPEAKERS:

Paul Ford

Mark Scott

1 **Ajay Thomas (0:00:00):**

2 Good morning, everybody. Welcome. Good morning and
3 welcome to the June 12th meeting of the Audit and
4 Finance Committee of the Texas Department of Housing and
5 Community Affairs. I'm glad that all of you made it
6 today. Let's go ahead and take the roll call. We've
7 got a full agenda today. Ms. Farias?

8

9 **Anna Maria Farias (0:00:20):**

10 Here.

11

12 **Ajay Thomas (0:00:21):**

13 Mr. Vasquez?

14

15 **Leo Vasquez III (0:00:23):**

16 Present.

17

18 **Ajay Thomas (0:00:25):**

19 Ms. Conroy?

20

21 **Cindy Conroy (0:00:26):**

22 I am here.

23

24

25 **Ajay Thomas (0:00:26):**

26 We have a full quorum. I do want to recognize that
27 board member Holland Harper is here and on the dais.
28 Welcome. Thanks for joining us. We have three action
29 items and three report items on today's agenda. The
30 first action item is the approval of the minutes for the
31 March 6, 2025, meeting of the Audit and Finance
32 Committee. In that meeting, Mr. Michael Clayton and Mr.
33 Alexander Summers, with the State Auditor's Office
34 presented the SAO's annual audit of the TDHCA financial
35 statements. All of those reports resulted in an
36 unmodified or what we call clean opinions. After the
37 discussion, the committee voted to recommend the State
38 Auditor's report to the full board for approval. Mr.
39 Mark Scott, gentleman to my right, Director of Internal
40 Audit, presented two report items, presentation and
41 discussion of the internal audit report of Amy Young's
42 Barrier Removal Program, and a report on the status of
43 the internal and external audit activities. Members,
44 the minutes are in your packets. May I have a motion to
45 approve the minutes of the March 6, 2025, Audit and
46 Finance Committee meeting?

47

48

49 **Cindy Conroy (0:01:42):**

50 Aye. I vote to... Hold on. Oh, I guess I should. I
51 so move it.

52

53 **Ajay Thomas (0:01:49):**

54 I have a motion from Ms. Conroy. May I have a second?

55

56 **Anna Maria Farias (0:01:53):**

57 Second.

58

59 **Ajay Thomas (0:01:54):**

60 Second, Ms. Farias. All in favor say aye.

61

62 **All Board Members (0:01:56):**

63 Aye.

64

65 **Ajay Thomas (0:01:58):**

66 Opposed? Hearing none, motion passes. Thank you. Our

67 next action item for today is the presentation and

68 discussion and possible action on the Fiscal Year 2026

69 Operating Budget. Mr. Paul Ford, Financial Services

70 Manager, is going to present this item to us. Paul?

71

72

73 **Paul Ford (0:02:20):**

74 Good morning. Paul Ford, Financial Services Manager.
75 Today I'd like to present the department's proposed
76 operating budget for fiscal year 2026. Over the past
77 several months, our team has worked closely with
78 leadership to craft a budget that supports our
79 personnel, technology, and general administration needs.
80 This proposal aligns with the General Appropriations Act
81 established by the 89th Texas Legislature. The proposed
82 fiscal year 2026 budget is \$48.5 million, representing a
83 4.8 percent decrease of \$2.5 million as compared to
84 fiscal year 2025. It consists of three primary
85 components: permanent activities, temporary programs,
86 and capital projects. Permanent activities, which
87 support core programs, have a budget of \$37.8 million.
88 This represents a 12 percent or \$4 million increase.
89 This is primarily driven by additional general revenue
90 to support and comply with monitoring requirements of
91 Senate Bill 243 as it relates to migrant labor housing,
92 as well as House Bill 21 as it relates to Housing
93 Finance Corporations. The budget also reflects 17 new
94 full-time equivalent positions approved in the '26-'27
95 legislative appropriations requests. These FTEs are
96 supported largely by appropriated receipts and federal

97 funds. Temporary programs were budgeted at \$5.8
98 million, which translates to a decrease of 58.7 percent,
99 \$4.2 million. This reduction is in lockstep with
100 successful completion of several COVID-related
101 initiatives.

102

103 This decrease, \$2.9 million, corresponds with salaries
104 and wages due to the addition of 23 FTEs. An additional
105 \$4.6 million of the decrease is due to a reduction in
106 professional fees for outsourcing of the Homeowners
107 Assistance Fund Program. This downturn is expected to
108 continue as remaining COVID programs conclude. The
109 budget for capital projects increased to \$1.7 million,
110 from \$3.2 million in 2025 to \$4.9 million in 2026.

111

112 These investments target crucial information technology
113 upgrades, as well as the implementation phase of a major
114 software initiative that enhances and streamlines
115 multifamily activities. The proposed budget reflects a
116 total of 397 full-time equivalent positions, 291 are
117 department permanent staff, 42 are temporary staff, and
118 64 are Manufactured Housing division staff. This
119 represents a net reduction of two FTEs. As a result of
120 23 fewer temporary positions aligned with the wind down

121 of various COVID programs, that's offset by 21
122 additional permanent positions approved in the '26-'27
123 Legislative Appropriations Request, also to comply with
124 the aforementioned monitoring requirements of Senate
125 Bill 243 and House Bill 25. We anticipate sufficient
126 revenue from general revenue, federal funds, and
127 appropriated receipts to cover all operating
128 expenditures for fiscal year 2026.

129

130 For additional transparency, a detailed variance
131 analysis is included in the material. Also, I would
132 like to note for the record, in alignment with internal
133 auditing standards and the Board's internal audit
134 charter, this budget includes the internal audit
135 division's annual operating budget. In summary, the
136 fiscal year 2026 budget reflects our commitment to sound
137 fiscal management and ensures adequate resources for
138 administrative operations.

139

140 While temporary funding continues to decline, we
141 strengthen investment in core functions, add in critical
142 FTEs, and advance key capital initiatives aimed at
143 improving automation, IT infrastructure, and service
144 delivery. We expect to generate adequate revenue to

145 meet all projected expenses throughout the fiscal year.
146 This concludes my remarks on this item. I'd be happy to
147 answer any questions you may have about the budget
148 breakdown or specific components. Thank you.

149

150 **Ajay Thomas (0:05:43):**

151 Thank you, Mr. Ford. Do any of the committee members
152 have any questions regarding the Fiscal Year 2026
153 Operating Budget?

154

155 **Holland Harper (0:05:50):**

156 Mr. Thomas, do we have an organization chart for the 376
157 employees?

158

159 **Paul Ford (0:05:59):**

160 We do have one, not in front of you, but I can certainly
161 give you that information. As soon as I get back to my
162 desk.

163

164 **Holland Harper (0:06:03):**

165 And is this budget expandable where you get more detail
166 than these large line items? Can we get sub-accounts
167 for each of these?

168

169 **Paul Ford (0:06:09)**

170 Absolutely.

171

172 **Holland Harper (0:06:16):**

173 How long do we have? Once it's approved here and in the
174 next meeting, that's it, right? It's locked.

175

176 **Ajay Thomas (0:06:19):**

177 Yeah, we take... The goal here would be to take a
178 recommendation to the full board, since it comes out of
179 committee here.

180

181 **Holland Harper (0:06:26):**

182 Thank you.

183

184 **Ajay Thomas (0:06:27):**

185 Thank you, Mr. Harper. Any other questions from
186 members?

187

188 **Leo Vasquez III (0:06:30):**

189 I just want to make a comment that, you know, thank Mr.
190 Ford and the staff for the briefings that you did give
191 us individually. And we did have a chance to ask
192 questions and break down, dive deeper than this

193 overview. So I'm comfortable that it's been broken down
194 in many different ways. It's an interesting transition
195 as we continue to break out of the special one-time
196 programs that we were doing through the department over
197 several years. Now those are all kind of tailing off.
198 So it's been interesting to see our net budget drop and
199 then the total funds expended drop tremendously. But
200 again those were special one-time funds.

201

202 **Ajay Thomas (0:07:22):**

203 Mr. Ford, just one quick question. I think for the
204 benefit of the folks in the audience that might not have
205 received the detailed briefing that we all did.
206 Compared to the fiscal year 2025 budget that was
207 approved and concluded, high level, what are some of
208 the, like what you would highlight, main differences
209 between this year's budget that we're approving and last
210 year?

211

212 **Paul Ford (0:07:42):**

213 Sure. Well, I can say that the salaries did go up a
214 bit. That was really kind of on the core side to invest
215 in really our central resources, more or less, to make
216 sure that we continue to drive the, I guess, the shift

217 that got built with the COVID programs, the increase on
218 portfolio size. We kind of chipped away in a few areas
219 in terms of like travel, in-state travel, out-of-state.
220 Really the whole effort there was to try to gain some
221 efficiencies. So I think some other areas where we
222 chipped away, membership fees, membership dues, a
223 decent reduction there. And then also, let's see, what
224 else did we chip away at? Temporary health as well. So
225 really those four areas, really wanted to try to kind of
226 realign with sort of what's actual, what reality is.
227 And so we kind of have those reductions there. So kind
228 of general overview, the big increase and then the
229 outstanding decrease.

230

231 **Ajay Thomas (0:08:38):**

232 In essence, other than going to more full-time employees
233 and shifting, sort of decreasing your temporary workers
234 and increasing core function activities of the agency,
235 most budget items are in line with what we've always
236 done. We're not exceptionally spending more in one area
237 or the other, correct?

238

239

240 **Paul Ford (0:08:57):**

241 That is very correct, sir.

242

243 **Ajay Thomas (0:08:58):**

244 Excellent.

245

246 **Leo Vasquez III (0:08:59):**

247 Two more items to expound upon a little bit. Part of
248 the, a good chunk of sort of perceived increase, I
249 guess, is the capital expenditures, correct? I mean,
250 that was 1.3 million or something, right? Okay. So, I
251 mean, that was a big number when you think percentage-
252 wise out of our total budget. And we have, correct me
253 if I'm wrong, four new FTEs that have been added due to
254 legislation and they're funded, yes, yet they're funded
255 FTEs. So that's another part that brought back up our
256 number for what those are worth.

257

258 **Ajay Thomas (0:09:49):**

259 Excellent. Thank you for that additional color. Mr.
260 Ford, thank you very much. If there are no other
261 questions, Chair will entertain a motion to approve the
262 Fiscal Year 2026 Operating Budget for the full board
263 meeting later this morning.

264

265 **Anna Maria Farias (0:10:08):**

266 Mr. Chairman, I move that the SFY 2026 operating budget
267 in the form presented to this meeting is hereby approved
268 and then sent later on to the full board for a vote.

269

270 **Ajay Thomas (0:10:21):**

271 Chair has a motion from Ms. Farias. Do I have a second?

272

273 **Cindy Conroy (0:10:26):**

274 Second.

275

276 **Ajay Thomas (0:10:26):**

277 Second, Ms. Conroy. All in favor say aye.

278

279 **All Board Members (0:10:29):**

280 Aye.

281

282 **Ajay Thomas (0:10:31):**

283 Any opposed? Hearing none, motion passes. Thank you,
284 Mr. Ford. Moving to the next action item, we have the
285 presentation, discussion, and possible action on the
286 Fiscal Year 2026 Housing Finance Division budget, and it
287 is also going to be presented by Mr. Ford.

288

289 **Paul Ford (0:10:48):**

290 Now I would like to turn your attention to item three,
291 the Housing Finance Division budget. This budget is a
292 subset of our internal operating budget submitted in
293 compliance with Texas Government Code 2306 and the
294 General Appropriations Act. This budget totals \$25.6
295 million, which represents expenses funded specifically
296 with fees generated by single family bond, multifamily
297 bond, tax credit, and compliance activities. I'm
298 available for any questions on this item. I'm prepared
299 to certify this budget as well.

300

301 **Ajay Thomas (0:11:19):**

302 Thank you, Paul. Do any of the committee members have
303 any questions regarding the Fiscal Year 2026 Housing
304 Finance Division budget?

305

306 **Leo Vasquez III (0:11:28):**

307 Again, just clarifying. The source of these funds is
308 all through program fees. None of this is general
309 revenue.

310

311

312 **Paul Ford (0:11:41):**

313 Those are all fees generated.

314

315 **Leo Vasquez III (0:11:43):**

316 Yep. Great.

317

318 **Ajay Thomas (0:11:46):**

319 Thank you, Mr. Vasquez. Any other questions, comments
320 from members? Hearing none, the Chair will entertain a
321 motion to take a full approval of this committee and
322 recommendation to the full board later this morning.

323

324 **Cindy Conroy (0:12:04):**

325 I so move.

326

327 **Ajay Thomas (0:12:05):**

328 I have a motion from Ms. Conroy to take a recommendation
329 to the full board later this morning. Do I have a
330 second?

331

332 **Anna Maria Farias (0:12:09):**

333 Second.

334

335

336 **Ajay Thomas (0:12:10):**

337 Seconded by Ms. Farias. All in favor say aye.

338

339 **All Board Members (0:12:13):**

340 Aye.

341

342 **Ajay Thomas (0:12:15):**

343 Opposed? Hearing none, motion passes. Thank you, Paul.

344 Moving to our report items this morning. The first

345 report item is the presentation and discussion of the

346 internal audit of Rent Approval functions of the Asset

347 Management Division here at TDHCA, report number 25-003.

348 And this report will be presented by Mr. Scott.

349

350 **Mark Scott (0:12:38):**

351 Thank you, Mr. Thomas. The Rent Approval function of

352 Asset Management Division was identified during the

353 Fiscal Year 2025 risk assessment and rated high on the

354 risk assessment matrix due to lack of recent internal

355 audits of the function and its overall importance to the

356 Department's mission. Our scope included a review of

357 the applicable Texas Administrative Code, applicable

358 CFRs, post-award activity manual, and SOP related to

359 rent approval activities. We also conducted interviews

360 with several division staff and performed testing and

361 analysis of the processes involved in receiving,
362 reviewing, and approving developments' annual rent
363 requests.

364

365 For this audit, we randomly selected 30 properties that
366 are subject to rent approval requirements to review and
367 test for accuracy, completeness, and their compliance
368 with applicable rules and regulations. The review
369 included verification of response time to the
370 development by the staff after receipt of rental
371 approval packets, rent limit established for each
372 funding source, utility allowance, and other necessary
373 documentation included in the packet. Based on our
374 reviews and testing, we found that in eight cases
375 staff's response time / approval notice to the
376 developments was greater than 30 days, which is the
377 timeline established in the guidelines. In the same
378 sample, we identified two developments that were missing
379 rent approval packets and approval letters for 2022,
380 four developments for 2023 and two developments for
381 2024.

382

383 Based on our review and testing, the rent approval
384 function appears to be operating effectively in

385 reviewing and approving annual rent approval
386 applications and requests. We identified some areas for
387 improvement and made recommendations to the staff.
388 Management agreed to all our recommendations, except for
389 one recommendation, and provided a plan of action.
390 Management decided that a secondary review was not
391 feasible for this function. Details of our
392 recommendations and management responses are included in
393 the report. And by the way, based on our scoring of the
394 recommendations, this was a low-risk recommendation that
395 management did not want to do, but we put it on the list
396 anyway.

397

398 **Ajay Thomas (0:14:59):**

399 Thank you, Mr. Scott. Any questions for Mr. Scott on
400 this report item? Hearing none, let's move on to the
401 next report item on the agenda. The presentation and
402 discussion of the internal audit of the travel
403 activities here at TDHCA, report number 25-004. And
404 this report will also be presented by Mr. Scott this
405 morning.

406

407

408

409 **Mark Scott (0:15:23):**

410 Yes, Travel activities were identified during the Fiscal
411 Year 2025 risk assessment and rated high on the risk
412 assessment matrix due to lack of recent internal audits
413 of the function. For this audit, we reviewed applicable
414 Texas Government Code(Section 660), related SOPs, and
415 the manual and training materials available on the TDHCA
416 intranet. We also sent out a brief anonymous survey to
417 all TDHCA staff to evaluate their understanding and
418 knowledge of the travel and expense report requirements.

419

420 We also requested the list of all travel-related
421 transactions, in-state and out of state, from the
422 beginning of fiscal year 2025 until the start of our
423 testing, which was from September 1st, 2024 to April
424 22nd, 2025. We randomly selected 17 transactions from
425 that list that were more than \$200. The selected sample
426 consisted of 13 in-state and four out-of-state
427 transactions. The sample was reviewed for accuracy,
428 completeness, documentation, and compliance with
429 applicable laws. OIA did not identify any areas of
430 noncompliance in the selected sample. Based on our
431 review and testing, the travel activities at TDHCA

432 appeared to be managed properly and in compliance with
433 applicable laws and requirements.

434

435 We had observations related to training and training
436 materials and made recommendations to management.

437 Management agreed to our recommendation and the details
438 of the audit are included in the report.

439

440 **Ajay Thomas (0:17:08):**

441 Thank you, Mr. Scott. Any questions for Mr. Scott on
442 this report item? Hearing none, let's move on to the
443 last report item on today's agenda, which is the report
444 on the status of internal and external audit activities.
445 Mr. Scott will be presenting this report to us as well.

446

447 **Mark Scott (0:17:27):**

448 Thank you, Mr. Thomas. On our audit plan, I was going
449 to go over the ones that we haven't completed yet. On
450 the internal audit of the Davis-Bacon and Related Acts,
451 we have been getting assistance from Ms. Carmen Roldan,
452 who is one of the premier experts on Davis-Bacon. She
453 was previously the TDHCA Labor Standards Specialist.

454

455 We've also been working with the other Labor Standards
456 Officers, Connor Jones, and others. We think we'll have
457 a really good informative audit, but it wasn't ready for
458 this meeting. We still have a few more things to look
459 at. Davis-Bacon is audited for Single Audit purposes by
460 CliftonLarsonAllen and underwent a comprehensive audit
461 by HUD in 2017. That audit, the one by HUD, had a few
462 findings that we're going to check to make sure that
463 those are still properly addressed.

464

465 **Ajay Thomas (0:18:33):**

466 Thank you. That concludes your report?

467

468 **Mark Scott (0:18:35):**

469 No. No, I haven't.

470

471 **Ajay Thomas (0:18:36):**

472 Okay. Go ahead.

473

474 **Mark Scott (0:18:34):**

475 On the internal audit of Single Family Revenue Bond
476 Program; we met with Mr. Thomas on Tuesday to discuss
477 the audiSingle-Familyamily Mortgage Revenue Bond
478 Program. This is part of our project risk assessment

479 for individual audit projects. We discussed what
480 additional assurance internal audit can provide to
481 supplement the work that the SAO does. We also
482 discussed the chance to make the bond transactions more
483 understandable. The Internal Auditing Act says that I
484 can consult with SAO, and I'll certainly avail myself of
485 that opportunity on this audit on the IT portion.

486

487 After those audits are complete, we will just have the
488 audit of Real Estate Analysis to complete the Fiscal
489 Year 2025 audit Plan. On the external audits, on the
490 statewide audit, we did really well on last year's
491 federal compliance audit, and for this year, at this
492 point, TDHCA does not have any programs designated as
493 major programs by CliftonLarsonAllen. That might change
494 depending on the final tallies for LIHEAP, which may
495 make that a major program based on size, which is called
496 a type A program. We don't have any high risk or type B
497 programs.

498

499 So for the statewide audit for this year, we'll just
500 have the financial statement audits that the SAO does.
501 So that's a victory for efficiency for us because we
502 don't have to have the federal audit. And then on the

503 OIG audits, HUD OIG recently completed an audit of ESG
504 CARES program. They had a finding related to not using
505 funds for R&D and to make sure all elements are
506 incorporated into subrecipient contracts, and that
507 finding has been cleared. Treasury OIG is still working
508 on their audit of the TRR program, those audits are
509 using the Yellow Book standard. On our internal audits,
510 we use Red Book standard. Section 8; HUD will also do a
511 review of Section 8 rent-related rules. And then I want
512 to just say those are audits of the agency by external
513 parties.

514

515 We also do our monitoring of entities we do business
516 with, so there's oversight of agency activities via
517 monitoring that is less in scope than full-fledged
518 audits. This includes desk reviews by the compliance
519 division of the agency's subrecipients and the agency's
520 tax credit properties. These monitoring functions can
521 leverage outside audit work like single audits. We have
522 a Single Audit Review Committee and also a Fraud, Waste,
523 and Abuse Committee that internal audit participates on
524 as an ex-officio member. We also coordinate our audit
525 and fraud prevention work with SAO, and that concludes

526 my presentation. I'll be happy to answer any questions
527 you may have.

528

529 **Ajay Thomas (0:21:57):**

530 Thank you, Mr. Scott, for getting through those report
531 items. On this last report item, any questions for Mr.
532 Scott? Mr. Vasquez?

533

534 **Leo Vasquez III (0:22:02):**

535 Just one question on the rent relief (TRR). Do we have
536 a sunset date for that? Do we know when that's possibly
537 going to get finalized?

538

539 **Bobby Wilkinson (0:22:16):**

540 Bobby Wilkinson, TDHCA Executive Director. By the end
541 of the year, supposedly. It's just been going on and
542 on, and it's still up in the air on what's going to
543 happen. But...

544

545 **Leo Vasquez III (0:22:25):**

546 The calendar year or the fiscal year?

547

548 **Bobby Wilkinson (0:22:28):**

549 Yes. Yes. Supposedly by the end of the calendar year,
550 we'll have some kind of final word from it. That can be
551 bumped, so we'll see. In the meantime, we still have a
552 staffed program and they have job security because we're
553 keeping up with it, so..

554

555 **Leo Vasquez III (0:22:43):**

556 Just curious. Glad to see that go away.

557

558 **Ajay Thomas (0:22:44):**

559 Thanks, Bobby. Any other questions from members this
560 morning? Hearing none, thank you, Mr. Scott. Well,
561 that concludes today's agenda for the meeting this
562 morning. If there are no other comments or questions
563 from members, I'll call to adjourn the meeting. The
564 time is 9:53. Thank you, everybody, for attending.

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