

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

On Thursday, September 4, 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 University of Texas at Austin's Thompson Conference Center, Room 1.110, 2405 Robert Dedman Drive, 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, Mr. Leo Vasquez Ms. Anna Maria Farias, and Ms. Cindy Conroy were present and represented a quorum for the Committee meeting.

Mr. Thomas started the meeting by taking roll and welcoming everyone to the meeting. He said on today's agenda we have an action item and three report items. The only action item on the agenda was the approval of the minutes from the June 12th, 2025 meeting of the Audit and Finance Committee. The minutes were adopted as presented and were approved. Mr. Thomas then moved to the first report item on the agenda; Presentation and discussion of the internal audit report of the Davis Bacon Labor Standards Act, which was presented by Mr. Scott.

Mr. Scott said that the Davis-Bacon Labor Standards Act was identified and included in the annual internal audit plan for 2025 and rated high on the risk assessment matrix due to its importance in ensuring wage equity on federally funded projects, as well as lack of any recent internal audits. This audit scope included reviews of the applicable sections of 29 CFR (Code of Federal Regulations), previous audit performed by HUD, the Single Audit performed by CLA, and review of documents and information provided by staff and information available on the TDHCA website. Based on the information we gathered, we performed analysis of the internal controls related to this function and identified areas of potential gaps. We also followed up on the previous recommendations from HUD to ensure that action plans were implemented and effective. We determined that further actions are required by the program to address the findings and recommendations, such as maintaining records of the contractors' eligibility for future reviews. Overall, the monitoring of the Davis-Bacon Standards Act appears to be operating effectively at TDHCA in ensuring compliance with related rules and regulations. We identified some areas for potential improvement to efficiency and monitoring, as well as providing higher assurance on compliance with the Davis-Bacon Standards. The details of our recommendations are included in the report. I'll be happy to answer any questions on that.

Mr. Vasquez asked a clarifying question regarding the process of the periodic reports and reviews. Neda Sanjar, Internal audit project manager, said that the review is an ongoing process for the program starting from the application process and throughout the project. With no further questions Mr. Thomas moved to the next report item on the agenda; Presentation and

discussion of the internal audit report on TDHCA's Single Family Mortgage Revenue Bond program, and it was presented by Mr. Scott.

Mr. Scott said that the Single-Family Mortgage Revenue Bond Program was included in the internal audit plan for fiscal year 2025 due to its complexity of operation, number of external parties involved in the operation, and lack of any recent internal audit. The program uses bond fund proceeds to fund below-market rate mortgage loans. The Department uses a network of participating lenders to issue mortgage loans using program funds to qualified buyers. After an approved borrower closes a mortgage with the originating lender, the Department's master servicer purchases the mortgage loan. The master servicer pulls the program loans and converts them to mortgage-backed securities that are guaranteed by Ginnie Mae, the Government National Mortgage Association. The Bond Finance Program assists families and individuals with low-to-moderate incomes to obtain homeownership. The Single-Family Revenue Bond Program provides below-market interest rate mortgage loans for qualified single-family home buyers.

The scope for this audit included a review of applicable Texas Administrative Code Title 10, Section 2.401, the Department's annual interest rate risk management policy, TDHCA investment policy for fiscal year 2025, applicable SOPs, and evaluating internal controls within the Single-Family Mortgage Revenue Bond Program. We also reviewed the roles and responsibilities of each vendor as it relates to the operation of the Single-Family Mortgage Revenue Bond Program for potential gaps in coverage and controls, and evaluated the internal controls currently in place within the program to ensure segregation of duties and proper internal controls.

Based on our review and analysis, the Single-Family Mortgage Bond Revenue Program is operating effectively at TDHCA and providing below-market interest rate loans to eligible Texans. We identified some areas for improvement to management of the contracts and agreements between TDHCA and its vendors. The details of the recommendations are included in the report.

Mr. Thomas asked if the audit included detailed review of different accounts in the Bond Finance Division to make sure that the integrity of those bond proceeds was in the right accounts. Mr. Scott said that detailed testing and reviews are performed by State Auditor's Office (SAO) within the annual Financial Statements audit. With no other questions Mr. Thomas moved to the last report item on the agenda; Report on the status of the internal and external audit activities. Mr. Scott presented this report as well.

Mr. Scott said that OIA has completed audits of the Single-Family Mortgage Revenue Bond and the Davis-Bacon Labor Standard Act, and started audit of the Real Estate Analysis division. With completion of this audit the Fiscal Year 2025 Audit Plan will be concluded. OIA is also conducting the annual risk assessment and requesting input from management and oversight bodies for preparation of the fiscal year 2026 internal audit plan.

On the external audits, the SAO has started their audit of the TDHCA Financial Statements, and this will be the last year that SAO is going to do the financial statement audit. In subsequent

years, this audit will have to be procured with a new external auditor. In late fiscal year 2026, the SAO is going to conduct an “efficiency audit” of TDHCA. This is pursuant to House Bill 12 and will be done in preparation for the TDHCA Sunset Review, which is scheduled for the 2026/2027 cycle. During the sunset process, the agency will prepare self-evaluation reports, SERs, and those are a critical part of the review process.

The Federal Treasury Department, OIG, is still working on their audit of the Texas Rental Relief (TRR) program. The program is going to hire a statistician to review the OIG's work. The statistician may review technical aspects such as whether the samples were accurately representative and whether they were drawn from a universe that had a normal distribution. The current timeline includes a discussion draft expected in December of 2025, though this may shift based on prior delays in the auditor estimates. That concluded Mr. Scott's presentation, and he offered to answer any questions there may be. Mr. Thomas confirmed that going forward TDHCA will have to procure an external auditor to perform audit of the financial statements.

With no further questions or comments Mr. Thomas thanked Mr. Scott for his presentation, and the meeting was formally adjourned at 9:44am.