



TDHCA Governing Board Audit and Finance Committee Meeting Transcript*

***9:30 a.m.
December 11, 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:

Mark Scott

1 **Ajay Thomas (0:00:08):**

2 Good morning, everybody. Welcome to the December 11th
3 meeting of TDHCA's Audit and Finance Committee. Let's
4 go ahead and take roll call. Let's see. Mr. Vasquez.

5

6 **Leo Vasquez III (0:00:19):**

7 Here.

8

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

10 Ms. Farias.

11

12 **Anna Maria Farias (0:00:21):**

13 Here.

14

15 **Ajay Thomas (0:00:22):**

16 Ms. Conroy.

17

18 **Cindy Conroy (0:00:23):**

19 Here.

20

21 **Ajay Thomas (0:00:24):**

22 And that makes the full committee with me as chair,
23 present. Thank you for attending. Let's see. We have

24 two action items and four report items on today's
25 agenda. The first action item is the approval of the
26 minutes for the September 4, 2025, meeting of the Audit
27 and Finance Committee.

28

29 In that meeting, Mr. Mark Scott, Director of Internal
30 Audit, seated here to my right, presented three report
31 items: internal audit report of the Davis Bacon Labor
32 Standards Act, internal audit report of the Single
33 Family Mortgage Revenue Bond Program at TDHCA, and the
34 report on the status of the internal and external audit
35 activities.

36

37 The minutes are in your packets, members. May I have a
38 motion to approve the minutes of the September 4, 2025,
39 Audit and Finance Committee meeting?

40

41 **Anna Maria Farias (0:01:09):**

42 Mr. Chairman, I so move to make a motion to approve the
43 minutes.

44

45 **Ajay Thomas (0:01:14):**

46 I have a motion from Ms. Farias. May I have a second?

47

48 **Cindy Conroy (0:01:17):**

49 I'll second.

50

51 **Ajay Thomas (0:01:18):**

52 Second by Ms. Conroy. All in favor say aye.

53

54 **All Board Members (0:01:21):**

55 Aye.

56

57 **Ajay Thomas (0:01:22):**

58 None opposed. Motion passes. Thank you. Our next
59 action item for today is the presentation, discussion,
60 and possible recommendation of approval to the full
61 Board of fiscal year 2026 internal audit annual work
62 plan. Mr. Scott will present the audit plan and offer
63 to answer any questions at the end of his presentation.
64 Mr. Scott.

65

66 **Mark Scott (0:01:44):**

67 Thank you, Mr. Thomas. Yes. Good morning. We
68 identified the following projects for inclusion in the
69 2026 annual audit plan based on our annual risk

70 assessment matrix of the auditable units, as well as
71 taking into consideration input from oversight bodies
72 and TDHCA management. We'd also like to confirm for
73 peer review that the internal audit function remains
74 independent in performing its audit activities.

75

76 The project numbers are included for identification
77 purposes only and may not correspond to the order in
78 which the projects are performed. Internal audit
79 standards require that we audit the highest risk areas.
80 The following are the auditable units that are rated
81 high on our risk assessment metric.

82

83 The first one is the State Housing Tax Credit. In 2023,
84 the State of Texas established its own state low-income
85 housing tax credit program. Texas House Bill 1058 was
86 enacted on June 13, 2023, and allowed the TDHCA to issue
87 state low-income housing development tax credits
88 beginning January 1, 2024.

89

90 These Texas tax credits can be used to offset franchise
91 taxes and insurance premium taxes on and after January
92 1, 2026, for companies with ownership stake in certain

93 affordable housing developments in Texas. This unit
94 rated high on our annual risk assessment due to the new
95 aspects of the program and lack of audits at this point.

96

97 The second audit on the list is Tax Liens Management. A
98 tax lien is attached to a property to secure the payment
99 of all taxes, penalties and interest ultimately imposed
100 for the year on the property. The lien exists in favor
101 of each taxing unit having power to tax the property.
102 TAC Code, Section 32.03 requires that all tax liens
103 against manufactured homes be recorded with the Texas
104 Department of Housing Community Affairs.

105

106 A person may not transfer ownership of the manufactured
107 home until all tax liens perfected on the home that have
108 been timely filed with the Texas Department of Housing
109 and Community Affairs have been extinguished or
110 satisfied and released.

111

112 Tax Liens Management is under Manufactured Housing
113 Division and is administratively attached to the TDHCA.
114 This unit rated high on our annual risk assessment and
115 was selected for audit due to lack of prior internal

116 audit of this function.

117

118 The third item on the list is the Housing Resource
119 Center. The Housing Resource Center provides
120 educational materials and technical assistance to the
121 public, community-based housing development and
122 organizations, nonprofit housing developers, and other
123 state federal agencies. This assistance helps providers
124 determine local housing needs, access appropriate
125 housing programs, and identifies available funding
126 sources needed to increase the stock of affordable
127 housing.

128

129 Other responsibilities of the Housing Resource Center
130 include offering assistance to the general public in
131 locating the appropriate service providers in their
132 community, in addition to being responsible for plans
133 and reports that TDHCA is required to submit to receive
134 funding from both the state and federal government.

135

136 The HRC is also responsible for preparation and posting
137 of the Board and Committee's book materials prior to
138 each Board meeting. These are high-profile activities

139 and rated high on our annual risk assessment due to
140 changes in HRC Management.

141

142 The fourth item is My First Texas Home. My First Texas
143 Home is part of the Texas Homebuyer Program at TDHCA,
144 and offers 30-year fixed interest rate mortgages loan
145 program for qualifying first-time homebuyers residing in
146 Texas and earning income limits of up to 115 percent of
147 area median income.

148

149 My First Texas Home is available statewide and AMFI is
150 based on the county the home is purchased in. The
151 program is designed for first-time homebuyers and
152 homebuyers who have not owned a home as their primary
153 residence within the past three years.

154

155 Texas Homebuyer Program was audited in 2022, but due to
156 the importance of My First Texas Home Program in
157 assisting qualified Texan families in becoming
158 homeowners this unit was selected for a more in-depth
159 audit during fiscal year 2026.

160

161 The next audit is the Record Retention Program. The

162 Texas Government Code mandates that the head of the
163 agency establish and maintain a records management
164 program on a continuing and active basis. It also
165 mandates that all agencies create and maintain records
166 containing adequate and proper documentation of the
167 organization, functions, policies, decisions,
168 procedures, and essential transactions of the Agency.

169

170 Agency records serve to furnish information to protect
171 the financial and legal rights of the state as well as
172 those of any person affected by activities of the
173 agency. This unit rated high on the annual risk
174 assessment and was selected for audit in 2026 because of
175 updates to record-keeping requirements.

176

177 And number 6 is the 10 percent test in Asset Management
178 division. The Asset Management Division is responsible
179 for monitoring and processing all post-award activities
180 for developments involving Housing Tax Credits, HOME
181 funds, National and State Housing Trust Funds, and
182 Neighborhood Stabilization Program funds.

183

184 As published in the QAP for the applicable award year,

185 but generally no later than July 1st of the year
186 following the submission of the carryover allocation
187 document or by the applicable extended deadline, more
188 than 10 percent of the development owners reasonably
189 expected basis must have been incurred pursuant to
190 Section 42 H1e and 2 of the Code and Treasury
191 Regulations 1-42346.

192

193 This unit rated high on our annual risk assessment, was
194 selected for audit due to its importance in ensuring
195 compliance with applicable rules as well as lack of any
196 recent audits of this activity. That concludes my
197 presentation on the audit plan. I'll be happy to answer
198 any questions there may be.

199

200 **Ajay Thomas (0:08:51):**

201 Thank you, Mr. Scott. Do any committee members have
202 questions for Mr. Scott regarding the plan?

203

204 **Leo Vasquez III (0:08:58):**

205 I have a question here.

206

207 **Ajay Thomas (0:08:59):**

208 Yes.

209

210 **Leo Vasquez III (0:09:00):**

211 On the number 2, the tax liens management.

212

213 **Mark Scott (0:09:04):**

214 Yes.

215

216 **Leo Vasquez III (0:09:06):**

217 This activity is actually operated by the Manufactured

218 Housing Division, right?

219

220 **Mark Scott (0:09:18):**

221 Yes, sir. And that agency is administratively attached

222 to us, which means the administrative functions have to

223 be, services have to be provided through an MOU. So I

224 have to provide some audit services to them via the MoU

225 as part of the, in fact, when I asked them if they had

226 any suggestions what to audit, they said, why don't you

227 audit that MOU?

228

229 **Bobby Wilkinson (0:09:42):**

230 So in statutes it's a little murky, but as far as our

231 MOU interagency agreement, they pay us for certain
232 things, mostly the computer stuff, software and then
233 some accounting, and then internal audit is a function
234 that we get about 500 grand a year. Haven't raised the
235 price in years. Maybe we should. I don't know, so,
236 yeah.

237

238 **Leo Vasquez III (0:10:05):**

239 Okay. So when we're auditing, selecting a function of
240 theirs to audit, is it...

241

242

243 **Leo Vasquez III (0:10:15):**

244 Are you independently able to say, hey, this is more...

245

246 **Mark Scott (0:10:18):**

247 when this administratively attached thing came up back
248 in the day, I was very, I didn't like it at all. But
249 yeah, I do an audit of them so it's...

250

251

252 **Leo Vasquez III (0:10:34):**

253 Are they generally cooperative on their duties?

254

255 **Mark Scott (0:10:35):**

256 Yes.

257

258 **Leo Vasquez III (0:10:36):**

259 Okay. All right. Okay.

260

261 **Bobby Wilkinson (0:10:37):**

262 Could you audit a division of theirs against their will?

263 No.

264

265 **Mark Scott (0:10:42):**

266 Yeah.

267

268 **Bobby Wilkinson (0:10:42):**

269 Yeah. No one goes to their board meetings. No one pays

270 attention to them. They just do what they want to do.

271

272 **Mark Scott (0:10:45):**

273 If I wanted to get arrested, presented the report. I'm

274 joking.

275

276 **Leo Vasquez III (0:10:53):**

277 Yes. You were joking for the record, right?

278

279 I'm just concerned or wondering if we're really going
280 to be an internal Audit function for them, maybe we step
281 it up to be more of an internal audit.

282

283 **Bobby Wilkinson (0:11:11):**

284 It's a voluntary contracted service. He doesn't really
285 have statutory authority. He doesn't work for their
286 board. He works for you. It's a strange kind of thing.
287 Yeah. Which is the administratively attached beyond
288 internal audit, just in general. It's strange.

289

290 **Cindy Conroy (0:11:29):**

291 It's \$500,000.

292

293

294 **Leo Vasquez III (0:11:31):**

295 Well, I'm just saying if something blows up over there,
296 do they come back to us, to this Board?

297

298 **Bobby Wilkinson (0:11:39):**

299 It shouldn't, but the press will just see TDHCA and

300 point fingers, yeah.

301

302 **Mark Scott (0:11:44):**

303 I have experience dealing with situations like that
304 diplomatically.

305

306 **Leo Vasquez III (0:11:52):**

307 Okay. I just thought I'd ask. Thank you.

308

309 **Ajay Thomas (0:11:55):**

310 Since we have the benefit of Mr. Wilkinson on the dais.
311 Just a programmatic question, right? I was curious for
312 my own informational needs. On the My First Texas Home
313 program that Mr. Scott went over, so it's for first-time
314 homebuyers and the AMFI is judged by county, right,
315 within the state.

316

317 And there are two questions I have. One is there's the
318 three, the option of if they haven't purchased a home
319 within three years. Does that mean if for some reason
320 they moved away from the state, came back four years
321 later, could they take advantage of the program?

322

323 **Bobby Wilkinson (0:12:27):**

324 Sure. They were a renter or whatnot, yeah.

325

326 **Ajay Thomas (0:12:29):**

327 And so they...

328

329 **Bobby Wilkinson (0:12:31):**

330 It's kind of weird. First-time homebuyer by definition

331 doesn't actually mean first-time homebuyer.

332

333 **Ajay Thomas (0:12:36):**

334 Right. Right.

335

336 **Bobby Wilkinson (0:12:36):**

337 Yeah. Yeah.

338

339 **Ajay Thomas (0:12:37):**

340 Okay. Well, good. And then the second question I had

341 was since it's by county, based by county and the income

342 requirement, now that we're seeing a little more

343 stratification across the state in terms of what maybe

344 that limit is, let's say someone moves from Houston and

345 comes to the Austin area, do they somehow qualify by

346 moving counties, can they take advantage of the program
347 or is it really a statewide first-time homebuyer access?
348

349 **Bobby Wilkinson (0:13:08):**

350 I'll have to get back to you. Yeah. So would they use
351 their just ended Houston income in the Austin area?
352 Yeah, I don't know.

353

354 **Ajay Thomas (0:13:18):**

355 Yeah. Like if they, move to the Austin area and they
356 find, well, the home is much more expensive and in fact
357 based on their income they afford to qualify.

358

359 **Bobby Wilkinson (0:13:25):**

360 I think underwriting the loan would be what's their
361 current income and where are currently

362

363

364 **Ajay Thomas (0:13:30):**

365 Interesting. Okay. Thank you. Appreciate that. Any
366 other questions from members on this first item
367 Homebuyer program? Hearing none, the Chair will
368 entertain a motion to approve a recommendation to the

369 full Board for the approval of the internal audit plan
370 for FY2026.

371

372

373 **Anna Maria Farias (0:13:50):**

374 Mr. Chairman, I move that this committee approve the
375 internal recommendations of the Audit and Finance
376 Committee.

377

378 **Ajay Thomas (0:13:57):**

379 Relief. I thought there was going to be controversy.

380 All right. We have a motion from Ms. Farias. Do I have
381 a second?

382

383 **Cindy Conroy (0:14:05):**

384 Aye.

385

386 **Ajay Thomas (0:14:06):**

387 Second from Ms. Conroy. All in favor say aye.

388

389 **All Board Members (0:14:09):**

390 Aye.

391

392 **Ajay Thomas (0:14:11):**

393 None opposed, the motion passes. Thank you, Mr. Scott.

394 Thank you, members. Moving to our report items now.

395 The first report item is the presentation and discussion

396 of the internal audit of the Real Estate Analysis

397 Division. And it will be presented by Mr. Scott.

398

399 **Mark Scott (0:14:28):**

400 Thank you. Yes. The Real Estate Analysis Division was

401 included in the internal audit plan for fiscal year 2025

402 due to its complexity of operations and its importance

403 to the agency's processes. For this audit, we reviewed

404 applicable Texas administrative codes, Texas government

405 codes, qualified allocation plan, and other applicable

406 rules and regulations. Additionally, we conducted

407 interviews with some of the division staff.

408

409 The objectives for this audit were to examine and assess

410 the Department's underwriting process and to determine

411 if the underwriting is performed according to applicable

412 rules and completed in a timely manner.

413

414 Based on our review and analysis, the Real Estate

415 Analysis Division is operating effectively at TDHCA in
416 providing necessary analytical reports to management and
417 the TDHCA governing board to make well-informed
418 decisions for funding affordable housing developments in
419 Texas.

420

421 The OIA concluded that the underwriting process is
422 generally performed accurately and according to
423 applicable rules. We identified some areas for
424 improvement related to documentation of internal review
425 processes. Management agreed to our recommendations,
426 and the details are included in the report. I'll be
427 happy to answer any questions on that report.

428

429 **Ajay Thomas (0:15:54):**

430 Thank you, Mr. Scott. Any members have questions for
431 Mr. Scott about this report item?

432

433

434 **Cindy Conroy (0:16:01):**

435 I do not.

436

437 **Ajay Thomas (0:16:03):**

438 Hearing none, thank you. The next report item is the
439 presentation and discussion of the internal audit report
440 on the implementation status of the prior audit findings
441 and recommendations. And this report will also be
442 presented by Mr. Scott.

443

444 **Mark Scott (0:16:17):**

445 Thank you. Yes. This is an administrative report on
446 the status of the prior internal audit and external
447 audit findings and recommendations. Internal audit is
448 required to submit an annual report to comply with
449 internal auditing standards.

450

451 As shown in the report, all prior year findings have
452 been closed. Findings from recent audits were listed in
453 the appendix and will be followed up in the coming year.
454 The details are in the report in your packets. I'll be
455 happy to answer any questions on that report.

456

457 **Ajay Thomas (0:16:49):**

458 Thank you, Mr. Scott. Any questions on this report item
459 for Mr. Scott?

460

461 **Leo Vasquez III (0:16:56):**

462 Well, it's all closed.

463

464 **Ajay Thomas (0:16:56):**

465 Hearing none, yeah, they're all closed. That sounds
466 good. We'll move on to the next report item today. The
467 next report item on today's agenda is the internal audit
468 annual report for fiscal year 2025. Mr. Scott is
469 charged with presenting this report to us as well.

470

471 **Mark Scott (0:17:12):**

472 Yes. This is another statutorily required report that
473 is submitted to all the oversight bodies annually. In
474 this report, we reconcile audits that have been
475 completed during the past year to the audits that were
476 on the approved audit plan.

477

478 We have completed all the auditable units in our fiscal
479 year '25 audit work plan, and we'll start on our FY'26
480 plan once it's approved by the Board. And that concludes
481 my presentation on the annual report.

482

483 **Ajay Thomas (0:17:46):**

484 Thank you, Mr. Scott. Members, have any questions for
485 Mr. Scott on this report item of the 2025 audit plan?
486 Hearing none, we're now at our last report item on
487 today's agenda, which is the report on the status of
488 internal and external audit activities. And Mr. Scott
489 will be presenting this report to us.

490

491 **Mark Scott (0:18:06):**

492 Yes. Okay. So Treasury, OIG, they're still working on
493 TRR. They had some delays related to furloughs, as I
494 understand. The Treasury Department is also conducting
495 a desk review of HAF, Housing Assistance Fund, which
496 they are expected to wrap up in January.

497

498 CliftonLarsonAllen has included LIHEAP, ERA, and CSBG as
499 major programs for testing in the 2025 statewide audit
500 based on the final tallies of expenditures. The
501 statewide audit will be issued early next year. And
502 just as a reminder, the statewide audit has the
503 financial statement portion and the federal compliance
504 portion, which is done by CliftonLarsonAllen.

505

506 And the State Auditor's office is conducting their

507 annual audit of the TDHCA financial statements. This is
508 the last year they're going to do that audit. it will
509 be procured to have somebody else do it next year. And
510 that concludes my presentation. I'll be happy to answer
511 any questions there may be.

512

513 **Ajay Thomas (0:19:15):**

514 Thank you, Mr. Scott, on the items today. Any members
515 have any questions for Mr. Scott on this last report
516 item?

517

518 **Leo Vasquez III (0:19:25):**

519 All looks pretty standard, yeah.

520

521 **Ajay Thomas (0:19:26):**

522 All right. Well, hearing none, that concludes our
523 agenda for today and concludes our meeting for today.
524 The Chair will now call to adjourn the meeting. The
525 time is 9:49.

526

527

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