



TDHCA Governing Board Audit and Finance Committee Meeting Transcript*

***9:30 a.m.
March 6, 2026***

***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

ANNA MARIA FARIAS

CINDY CONROY

SPEAKERS:

Alexander Sumners

Mark Scott

David Cervantes

1 **Ajay Thomas (0:00:05):**

2 Good morning, everybody, and welcome to the March 6th
3 meeting of the TDHCA's Audit and Finance Committee.
4 Let's go ahead and take roll. I, as Chairman, Ajay
5 Thomas, am here. Mr. Vasquez.

6

7 **Leo Vasquez III (0:00:17)**

8 Here.

9

10 **Ajay Thomas (0:00:19):**

11 Thank you. Ms. Farias.

12

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

14 Here.

15

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

17 Welcome. Ms. Conroy.

18

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

20 Here.

21

22

23

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

25 Thank you. Welcome. We have all members of the
26 committee present, so we have a full quorum. We have
27 two actions items and two report items on today's
28 agenda. The first action item is the approval of the
29 minutes for the December 11, 2025, meeting of the Audit
30 and Finance Committee. In that meeting, Mr. Mark Scott,
31 the Director of Internal Audit, here to my right,
32 presented the Internal Audit annual workplan for fiscal
33 year 2026 as an action item for recommendation to the
34 full board for approval. The plan was voted for
35 recommendation to approve after discussion with
36 committee members. Mr. Scott also presented four report
37 items: The presentation and discussion of the Internal
38 Audit report of the Real Estate Analysis division, the
39 presentation and discussion of Internal Audit report on
40 the implementation status of prior audit findings and
41 recommendations, the presentation and discussion of the
42 Internal Audit annual report, and the report on the
43 status of the internal and external audit activities.

44

45 Members, the minutes are in your packets. May I have a
46 motion to approve the minutes from the December 11,
47 2025, Audit and Finance Committee meeting?

48

49 **Cindy Conroy (0:01:35):**

50 I'll make a motion.

51

52 **Ajay Thomas (0:01:37):**

53 Excellent. I have a motion from Ms. Conroy.

54

55 **Anna Maria Farias (0:01:40):**

56 Second.

57

58 **Ajay Thomas (0:01:41):**

59 Second from Member Ms. Farias. All in favor say aye.

60

61 **All Board Members (0:01:46):**

62 Aye.

63

64 **Ajay Thomas (0:01:46):**

65 Any opposed? Motion passes. Thank you, members.

66

67

68 **Leo Vasquez III (0:01:51):**

69 The motions have to be spoken out loud, right?

70

71 **Cindy Conroy (0:01:53):**

72 Do they?

73

74 **Ajay Thomas (0:01:55):**

75 There you go. That's helpful. Thank you, Mr. Chairman.

76 Our next action item for today is the presentation,

77 discussion, and possible recommendation for approval of

78 the State Auditor's Office audit of the TDHCA financial

79 statements for FY2025. Mr. Alexander Sumners and Mr.

80 Amadou Ngaide from the State Auditor's Office are here

81 and will present this item to us. Alex.

82

83 **Alexander Sumners (0:02:22):**

84 Hi. Good morning. My name is Alexander Sumners, and

85 I'm a project manager with the State Auditor's Office.

86 With me is Amadou Ngaide, who is an audit manager with

87 us.

88

89 **Ajay Thomas (0:02:32):**

90 Oh, I got that right. Good.

91

92 **Alexander Sumners (0:02:33):**

93 Yeah.

94

95 **Ajay Thomas (0:02:34):**

96 All right.

97

98 **Alexander Sumners (0:02:36):**

99 This morning, we will be discussing the results of our
100 most recent financial audits at the Department. We
101 issued two unmodified opinions as part of this audit,
102 one for the Department's basic financial statements for
103 fiscal year 2025 and one for the Department's revenue
104 bond program financial statements for fiscal year 2025.
105 We determined that these financial statements were
106 materially correct and reported in accordance with
107 generally accepted accounting principles. In other
108 words, we determined that the statements as issued were
109 not misleading to the reader of those statements.

110

111 Additionally, we also concluded that the Department's
112 Housing Finance division's computation of unencumbered
113 fund balances complies with Texas Government Code

114 Section 2306.204 and 2306.205. We also issued a report
115 on the Department's compliance with the Public Funds
116 Investment Act for the fiscal year ended August 31,
117 2025. The results of that work disclosed no issues of
118 noncompliance or other matters that are required to be
119 reported under government auditing standards. Prior to
120 the fiscal year 2025 financial statement audit work, we
121 also issued an unmodified, or clean opinion, on the
122 Department's fiscal year 2024 financial data schedule as
123 it related to the fiscal year 2024 basic financial
124 statements. Additionally, we performed agreed-upon
125 procedures and determined that the electronic submission
126 of certain information to the U.S. Department of Housing
127 and Urban Development's Real Estate Assessment Center
128 agreed with related hard copy documents. HUD accepted
129 the Department's submission in December.

130

131 Lastly, I would like to thank the financial
132 administration and accounting departments, and Mr. Scott
133 and Internal Audit for their assistance and cooperation
134 throughout the audit. That concludes my comments, and
135 I'd be happy to address any questions that you may have.

136

137 **Ajay Thomas (0:04:28):**

138 Thank you, Mr. Sumners, Mr. Ngaide. Do any of the
139 committee members have any questions regarding the SAO's
140 report this morning?

141

142 **Leo Vasquez III (0:04:36):**

143 Sounds good.

144

145 **Ajay Thomas (0:04:37):**

146 Mr. Sumners, just one question. Is there anything in
147 your audit findings that you, even though the Department
148 did exceptionally well, has a clean audit, is anything
149 with the rule changes, federal-wise or what we're doing
150 internally, that you have a caution about that we should
151 do, we can strengthen our audit process? Is there
152 anything that raises to a level that you find like, hey,
153 these are some things you might want to look for next
154 year's audit?

155

156 **Alexander Sumners (0:05:05):**

157 Nothing off the top of my head. We do our planning and
158 risk assessment process, and anything that is identified
159 in there would be communicated.

160

161 **Ajay Thomas (0:05:13):**

162 Great. Thank you for that. Excellent report. If there
163 are no other questions from committee members, I will
164 now take a motion to approve recommendation to the full
165 board of the State Auditor's Office report.

166

167 **Anna Maria Farias (0:05:26):**

168 Mr. Chairman, I move that we approve the complete audit
169 report and send it to the main meeting for a vote.

170

171 **Ajay Thomas (0:05:36):**

172 Thank you, Ms. Farias. I have a motion to approve the
173 recommendation to the full board of the State Auditor's
174 Office report. May I have a second?

175

176 **Cindy Conroy (0:05:43):**

177 I'll second.

178

179 **Ajay Thomas (0:05:44):**

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

181

182

183 **All Board Members (0:05:48):**

184 Aye.

185

186 **Ajay Thomas (0:05:49):**

187 Motion passes.

188

189 **Anna Maria Farias (0:05:50):**

190 Now, Mr. Chairman, I'd like to make a comment.

191

192 **Ajay Thomas (0:05:53):**

193 Yes, Ms. Farias.

194

195 **Anna Maria Farias (0:05:53):**

196 The fact you asked, is there anything we could improve?

197 Did you see anything wrong? And it is just great to see

198 a clean audit. I remember many years back that was

199 never the case because we were reading very bad things

200 about this office in the newspapers. So I want to

201 commend Bobby. I want to commend all the directors and

202 all the staff that do all the audits and inspections and

203 everything. That speaks very, very well of, and I would

204 hope that it speaks very well of us, the commissioners,

205 because they don't want to come and tell us why

206 something didn't pass. We have a certain reputation
207 when we see something wrong, but I think it really
208 speaks extremely well of the entire office.
209 And, Bobby, you're their leader, so they respect you,
210 and I think sometimes fear you a little bit. So that's
211 always good. No, just they trust you and respect you.
212 That's very good. And with that, I just want to, again,
213 congratulate all of you for a job very well done.
214 Continue that excellent work.

215

216 **Ajay Thomas (0:07:04):**

217 Thank you for those comments, Ms. Farias. I will echo
218 those to the staff for the finance and administration as
219 well as Mr. Scott and his audit department. It's an
220 excellent result. And, Bobby, that definitely speaks
221 well of your leadership of the agency and our trust and
222 faith in your ability to continue to lead it. And so
223 excellent job from everybody in the Department.
224 We love to get these clean audits and a great report
225 with a follow-up question of that kind of standard. So
226 thanks, Mr. Sumners, for that. Moving to our report
227 items, the first report item is the presentation and
228 discussion of Internal Audit report of the 10 percent

229 test function at the Asset Management division, and this
230 will be presented by Mr. Scott, the Director of Internal
231 Audit. Mark.

232

233 **Mark Scott (0:07:49) :**

234 Thank you, Mr. Thomas. Yes. The 10 percent test
235 function was identified during the fiscal year 2026 risk
236 assessment and rated high on the risk assessment matrix
237 due to its importance in ensuring compliance with State
238 and Federal rules governing multifamily programs.

239 Submission of a 10 percent test is required of all
240 awardees in a competitive housing tax credit allocation.
241 All submissions are reviewed by Department staff to
242 verify compliance with applicable rules, including
243 reconciliation of all information provided in the
244 submission with the corresponding or related information
245 in other documents. For this audit, we reviewed
246 applicable Texas Administrative Codes, applicable U.S.
247 Treasury regulations, function-specific SOPs, internal
248 documents such as Post-Award Activity Manual, and other
249 applicable rules and regulations. We also conducted
250 interviews with several division staff and performed
251 testing and analysis of the processes involved in

252 receiving and reviewing developments' 10 percent
253 packets, including requests for extension. We reviewed
254 the documents for compliance and completeness. Based on
255 our review and testing, the 10 percent test function
256 within the Asset Management division appears to be
257 operating effectively in reviewing and accepting
258 development packets and requests for extensions.
259 We identified some areas for improvement and made
260 recommendations to management and staff. Management
261 agreed to our recommendations and their responses are
262 included in the report. I'll be happy to answer any
263 questions there may be about that audit.

264

265 **Ajay Thomas (0:09:24):**

266 Thank you, Mr. Scott. Members, have any questions about
267 this report item? Hearing none, we'll move on. The
268 next report item on today's agenda is the report on the
269 status of the internal and external audit activities.
270 Mr. Scott will be presenting this report to us as well.

271

272 **Mark Scott (0:09:41):**

273 Okay. Yeah. So on the external audits, the SAO
274 completed their audit of the 2025 financial statements,

275 which they just discussed. CliftonLarsonAllen completed
276 the federal compliance portion of the statewide audit.
277 They had findings related to an error in reporting
278 obligated funds under LIHEAP. They also had a cash
279 management issue related to a required computation of
280 clearance pattern, which is used to determine potential
281 interest due between state and federal funding sources.
282 They also had a finding related to monitoring in the
283 HOME program. For one of the properties included in the
284 CLA sample, the inspection had not been conducted in the
285 required timeframe. The Comptroller's Office has started
286 an audit of contracting. And then the SAO will not be
287 conducting the financial statement audit next year.
288 TDHCA is in the process of procuring a different audit
289 firm to conduct the audit. The SAO is conducting the
290 efficiency audit of TDHCA that is required by Texas
291 Government Code 327.002. The federal Office of
292 Inspector General, they're still reviewing the Homeowner
293 Assistance Fund and the Rental Assistance Program
294 expenditures. As far as internal audit goes, on the 2026
295 internal audit plan, we completed the audit of the 10
296 percent test function, and we've started the audits of
297 the Housing Resource Center division. And we've also

298 hired a new internal auditor, Ms. Erin Halton, and she's
299 in the audience. So that concludes my presentation.
300 I'll be happy to answer any questions there may be.

301

302 **Ajay Thomas (0:11:36):**

303 Great. Thank you, Mr. Scott. Members have any
304 questions for Mr. Scott about this report item?

305

306 **Leo Vasquez III (0:11:41):**

307 I do.

308

309 **Ajay Thomas (0:11:43):**

310 Mr. Vasquez.

311

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

313 So on the findings, would you characterize them as
314 just...

315

316 **Mark Scott (0:11:47):**

317 On the 10 percent?

318

319 **Leo Vasquez III (0:11:48):**

320 No, on the, you just...

321

322 **Mark Scott (0:11:51):**

323 On the CLA?

324

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

326 Yeah.

327

328 **Mark Scott (0:11:52):**

329 Okay.

330

331 **Leo Vasquez III (0:11:53):**

332 Are they...

333

334 **Mark Scott (0:11:53):**

335 Well, the cash management, that sounds like a big deal,
336 but really, you have a big program, they have different
337 drawdowns from, the state draws down money. And then
338 there's a requirement that money be spent within a
339 certain time period if it's drawn down, otherwise, the
340 State owes interest to the federal government. So to
341 figure all that out, there's this thing called a
342 clearance pattern. It's a computation that's done to
343 estimate the interest that may be due. And apparently

344 that wasn't done on the months that we're looking at.
345 So I would say you have to do it, but whether that's a
346 big deal, I don't know.

347

348 **Leo Vasquez III (0:12:40):**

349 Do we wait to see if they send us a bill?

350

351 **Mark Scott (0:12:42):**

352 Right. Basically, yeah.

353

354 **Leo Vasquez III (0:12:43):**

355 Okay. All right. Okay.

356

357 **Mark Scott (0:12:44):**

358 Yeah. So and then the other, like the one where they
359 didn't do the inspection in the required time period,
360 that's a minor deal. But they have to write it up. And
361 again, these are the audit findings from the federal
362 compliance portion of the statewide audit that's done by
363 CliftonLarsonAllen.

364

365

366

367 **Ajay Thomas (0:13:08):**

368 So fair to say that they're not material. We should do
369 them, but...

370

371 **Mark Scott (0:13:13):**

372 They're not a big deal. Material, that would be
373 something that the auditors, based on their criteria,
374 would determine. So they may say it's material, but
375 that doesn't mean it's big deal.

376

377 **Ajay Thomas (0:13:27):**

378 It's not a major deal. Got it.

379

380 **Mark Scott (0:13:27):**

381 Yeah. It's just based on the technical definition of
382 material; they have to include it in their report.

383

384 **Ajay Thomas (0:13:34):**

385 Report. Okay.

386

387 **Mark Scott (0:13:35):**

388 Yeah.

389

390 **Ajay Thomas (0:13:36) :**

391 Very good. Any other questions for Mr. Scott on this
392 report item?

393

394 **Leo Vasquez III (0:13:40) :**

395 Just so there's no reason for us to be worried about the
396 findings.

397

398 **Mark Scott (0:13:46) :**

399 No. I would say no. They need to be corrected. Other
400 than the fact that they appear in a report that goes to
401 the federal funding agencies, but the federal funding
402 agencies understand, what I just said, that, you know,
403 it's a...

404

405 **Ajay Thomas (0:14:03) :**

406 One sounds like a timing mismatch, right?

407

408 **Mark Scott (0:14:05) :**

409 Right.

410

411 **Ajay Thomas (0:14:05) :**

412 With the fund draws.

413

414 **Mark Scott (0:14:06):**

415 Right.

416

417 **Ajay Thomas (0:14:07):**

418 And the second just seems like we need to just fix it.

419

420 **Mark Scott (0:14:09):**

421 Yeah. The second one was just,

422

423 **Leo Vasquez III (0:14:11):**

424 And it was done eventually, right? I mean, it wasn't...

425

426 **Mark Scott (0:14:16):**

427 This is for David Cervantes.

428

429 **Ajay Thomas (0:14:16):**

430 Thank you.

431

432 **Leo Vasquez III (0:14:17):**

433 Mr. Cervantes.

434

435

436 **David Cervantes (0:14:17):**

437 Not sure if this is on.

438

439 **Ajay Thomas (0:14:18):**

440 Yeah.

441

442 **Leo Vasquez III (0:14:19):**

443 You are.

444

445 **David Cervantes (0:14:19):**

446 Good morning.

447

448 **Ajay Thomas (0:14:19):**

449 Mr. Cervantes, just please announce your name for the

450 record.

451

452 **David Cervantes (0:14:22):**

453 Yes. I'm David Cervantes. I'm the director of

454 Administration for the Department and CFO for the

455 Department. I guess, in particular, the Cash Management

456 Improvement Act, that particular item that's one of the

457 findings in there, I can speak to that for sure. As Mr.

458 Scott mentioned, every year there's a new Cash

459 Management Improvement Act agreement that we have with
460 the federal government. And the oversight takes place
461 for us to go and settle up with them every year. And it
462 involves probably a two-step process in terms of
463 submitting information regarding all the draws, the
464 timing of the draws, and of course, this is to minimize
465 any lag that would generate interest either from the
466 state or vice versa or something to that effect.
467 And in this particular case, all of the work was done,
468 but the documentation on the calculation wasn't
469 submitted. And to your question of is there a concern by
470 the federal government or anything of that nature, there
471 is not. We've acknowledged the comment, and we're fully
472 prepared to submit the documentation associated with the
473 calculation itself. And again, there's a couple of
474 other items that are on there that are more programmatic
475 than fiscal. Okay. But that's what I would tell you
476 about that one in particular. And bottom line to your
477 question, is there concern? I would say there's no
478 reason to be concerned. We've included it in our
479 checklist. We understand the calculation and it'll be
480 submitted in accordance this upcoming cycle. And for
481 that matter, Mr. Scott usually does a great job of going

482 through prior-year findings. And so we're looking
483 forward to reporting out next cycle that's been
484 addressed.

485

486 **Ajay Thomas (0:16:15):**

487 Thank you, Mr. Cervantes.

488

489 **David Cervantes (0:16:16):**

490 Okay.

491

492 **Ajay Thomas (0:16:16):**

493 Appreciate that explanation.

494

495 **David Cervantes (0:16:16):**

496 Okay. You're welcome. Thank you.

497

498 **Ajay Thomas (0:16:19):**

499 If there are no other questions on this report item,
500 we'll move to the final report item and final item on
501 our agenda. Mr. Scott will present the report and offer
502 to answer any questions at the end of his presentation.
503 This will be the report item that is on the status of
504 the internal and external audit activities.

505

506 **Mark Scott (0:16:38):**

507 Okay. Yeah. Actually those activities are all going
508 very well. What I was just describing was basically the
509 update on the external audits, which I and Mr. Cervantes
510 discussed, and then the Internal Audit activities.

511

512 We're doing fairly well as far as timing of getting the
513 audit plan completed. At the end of the year, we're
514 always spending some time with the external audits, so
515 there's kind of a lull in the internal audits. But now,
516 especially since we have a new staff person and we're
517 fully staffed now, we should be able to complete the
518 audit plan with no problems.

519

520 **Ajay Thomas (0:17:28):**

521 Excellent. Mr. Scott, thank you for those three
522 reports. And I would encourage the committee to accept
523 the reports.

524

525 **Leo Vasquez III (0:17:33):**

526 We can't ask questions about it?

527

528 **Ajay Thomas (0:17:35):**

529 You can ask questions on that one if you have any,

530 Chairman Vasquez.

531

532 **Cindy Conroy (0:17:40):**

533 I don't have any questions, but I also want to

534 reiterate, it's refreshing to read audit reports where

535 there's nothing major, right? You're just like, wow,

536 this is wonderful.

537

538 **Mark Scott (0:17:50):**

539 Yeah.

540

541 **Cindy Conroy (0:17:51):**

542 No jaw-dropping stuff. It's nice.

543

544 **Mark Scott (0:17:53):**

545 Yeah. And what we try to, if we don't have findings, we

546 try to add value by describing what we did, what we

547 looked at, what they're doing well, and that kind of

548 thing.

549

550

551 **Leo Vasquez III (0:18:05):**

552 However, if you have findings, please tell us.

553

554 **Mark Scott (0:18:07):**

555 Oh, yes. Yes, we do.

556

557 **Ajay Thomas (0:18:09):**

558 With advance notice.

559

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

561 Yes.

562

563 **Cindy Conroy (0:18:10):**

564 And, Bobby, that's just really a testament to your

565 leadership because it is nice to know that, well, it's

566 nice to know that we're representing an agency that is

567 so well run, that you all take this seriously. So kudos

568 to you.

569

570 **Ajay Thomas (0:18:24):**

571 Bobby, this has been a great meeting for you. This is

572 good. This may be your quota for the rest of the year.

573 This is good. All right. Well, if there aren't any

574 other questions for Mr. Scott on the three report items,
575 we will report out of committee and report this to the
576 full board here shortly. I want to thank everybody for
577 being here today. And this concludes today's meeting.
578 Officially, the meeting is now adjourned at 9:49 a.m.,
579 Central. Thank you.

580 * * * * *

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