



TDHCA Governing Board Audit and Finance Committee Meeting Transcript*

***9:30 a.m.
September 4, 2025***

***UT Thompson Conference Center
Room 1.110***

2405 Robert Dedman Drive, Austin, TX 78712

**** This document is an approximate transcription of a recording of the meeting and is not a certified transcription of the meeting. As such, it may contain errors when compared with the official video and audio recording of the meeting, which is retained by TDHCA and posted online as an official record of the meeting.***

BOARD MEMBERS:

AJAY THOMAS, CHAIR

LEO VASQUEZ III, MEMBER

ANNA MARIA FARIAS, MEMBER

CINDY CONROY, MEMBER

SPEAKERS:

Mark Scott

Neda Sanjar

1 **Ajay Thomas (0:00:02):**

2 Good morning, everybody, and welcome to the September
3 4th, 2025, meeting of the TDHCA Audit and Finance
4 Committee. Let's go ahead and take roll call, see if
5 there's a quorum, which I can see there is, but we'll
6 officially do it. Chairman Vasquez?

7

8 **Leo Vasquez III (0:00:20):**

9 Here.

10

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

12 Ms. Farias.

13

14 **Anna Maria Farias (0:00:22):**

15 Here.

16

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

18 Ms. Conroy?

19

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

21 Here.

22

23

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

25 And I, the Chair, Ajay Thomas, is present. That makes
26 the full quorum. We're all present and accounted for.
27 Thank you.

28

29 On today's agenda, we have one action item and three
30 report items. The action item is the approval of the
31 minutes for the June 12th, 2025, meeting of the Audit
32 and Finance Committee. In that meeting, Mr. Paul Ford,
33 Financial Services Manager, presented the Fiscal Year
34 2026 TDHCA Operating Budget and the Fiscal Year 2026
35 House Finance Division budget. After the discussion,
36 the committee voted to recommend both budget items to
37 the full board for approval.

38

39 Mr. Mark Scott, Director of Internal Audit, one person
40 over to the right of me, presented three report items.
41 The internal audit report on the Rent Approval function
42 of the Asset Management Division, the internal audit of
43 the Travel activities here at TDHCA, and the report on
44 the status of the internal and external audit
45 activities. The minutes are in your packets.

46

47 Members, may I have a motion to approve the minutes from
48 the June 12th, 2025, Audit Finance Committee meeting?

49

50 **Anna Maria Farias (0:01:35):**

51 Mr. Chairman, I so move to approve the minutes.

52

53 **Ajay Thomas (0:01:38):**

54 Chair entertains a motion from Ms. Farias. Thank you.

55 May I have a second?

56

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

58 I'll second.

59

60 **Ajay Thomas (0:01:43):**

61 Ms. Conroy seconds the motion. All in favor say aye.

62

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

64 Aye.

65

66 **Ajay Thomas (0:01:48):**

67 Opposed? Hearing none, motion passes. Thank you.

68 Moving to our report items, the first report item is the

69 presentation and discussion of the internal audit of the

70 Davis-Bacon Labor Standards Act, and it will be
71 presented by Mr. Scott.

72

73 **Mark Scott (0:02:07):**

74 Thank you. Yes. The Davis-Bacon Labor Standards Act
75 was identified and included in the internal audit plan
76 for 2025 and rated high on the risk assessment matrix
77 due to its importance in ensuring wage equity on
78 federally funded projects, as well as lack of any recent
79 internal audits.

80

81 Our scope included review of the applicable sections of
82 29 CFR (Code of Federal Regulations), previous audit
83 performed by HUD, the Single Audit performed by CLA, and
84 review of documents and information provided by staff
85 and information available on the TDHCA website.

86

87 Based on the information we gathered, we performed
88 analysis of the internal controls related to this
89 function and identified areas of potential gaps. We
90 requested from the Multifamily Division a sample of
91 completed projects that are subject to DBRA to review
92 and test for completeness and compliance with applicable

93 rules and standards.

94

95 However, our review is limited due to the fact that
96 there's a two-year gap between the past awards. The
97 MFDL program released home funds in 2022 and again in
98 2024. The two-year lapse was due to a rather
99 substantial increase in Department's NHTF grant which
100 needed to be committed to projects by strict deadlines.
101 This resulted in a smaller amount of HOME transactions
102 from 2023 onward. Consequently, a good portion of the
103 FY 2022 deals had not had their final draw and the DBRA
104 information was not available to review.

105

106 We also received records of three deals that were closed
107 in 2024 to review and test. These deals had not yet had
108 their final draws and therefore did not have the final
109 wage compliance report at this point. But we did verify
110 the other required documents on file that were in the
111 files.

112

113 We followed up on the previous recommendations from HUD
114 to ensure that action plans were implemented and
115 effective. We determined that further actions are

116 required by the program to address the findings and
117 recommendations, such as maintaining records of the
118 contractors' eligibility for future reviews. These
119 issues and recommendations related to these issues are
120 included in the audit report.

121

122 Overall, the monitoring of the Davis-Bacon Standards Act
123 appears to be operating effectively at TDHCA in ensuring
124 compliance with related rules and regulations. We
125 identified some areas for potential improvement to
126 efficiency and monitoring, as well as providing higher
127 assurance on compliance with the Davis-Bacon Standards.
128 The details of our recommendations are included in the
129 report. I'll be happy to answer any questions on that.

130

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

132 Thank you, Mark. Any questions about this report?

133

134 **Leo Vasquez III (0:05:06):**

135 Just basically on the way the process works, they don't
136 wait till the very end of a project to submit their
137 data, right? They have to do periodic reports.

138

139 **Mark Scott (0:05:19):**

140 That's basically correct. Neda, do you want to address
141 that? There's some timing.

142

143 **Neda Sanjar (0:05:30):**

144 That's correct. It's with multifamily, so throughout
145 the project, they have different, the stages and phases
146 that they have to submit different documentation showing
147 their compliance.

148

149 **Ajay Thomas (0:05:41):**

150 Neda, could you state your name for the record, please?

151

152 **Neda Sanjar (0:05:43):**

153 Neda Sanjar, Internal Audit.

154

155 **Leo Vasquez III (0:05:47):**

156 Okay, great. So we'll just wait until a year after the
157 project's done, it's...

158

159 **Mark Scott (0:05:52):**

160 Right. It's as you go.

161

162 **Neda Sanjar (0:05:53):**

163 Yes. Yes. Starting from the application process, the
164 contractors are verified to be eligible to participate
165 and throughout the project.

166

167 **Leo Vasquez III (0:06:04):**

168 Okay, great. Thanks.

169

170 **Ajay Thomas (0:06:04):**

171 Thank you. Any other questions regarding this report?

172 All righty. Hearing none, we'll move on. Thanks, Mark.

173

174 The next report item on the agenda is the presentation
175 and discussion of the internal audit report of TDHCA's
176 Single Family Mortgage Revenue Bond Program, and it will
177 be presented by Mr. Scott as well. Mark.

178

179 **Mark Scott (0:06:27):**

180 Yes. The Single Family Mortgage Revenue Bond Program
181 was included in the internal audit plan for fiscal year
182 '25 due to its complexity of operation, number of
183 external parties involved in the operation, and lack of
184 any recent internal audit. The program uses bond fund

185 proceeds to fund below-market rate mortgage loans.

186

187 The Department uses a network of participating lenders
188 to issue mortgage loans using program funds to qualified
189 buyers. After an approved borrower closes a mortgage
190 with the originating lender, the Department's master
191 servicer purchases the mortgage loan. The master
192 servicer pulls the program loans and converts them to
193 mortgage-backed securities that are guaranteed by Ginnie
194 Mae, the Government National Mortgage Association.

195

196 The Bond Finance Program assists families and
197 individuals with low-to-moderate incomes to obtain
198 homeownership. The Single Family Revenue Bond Program
199 provides below-market interest rate mortgage loans for
200 qualified single-family home buyers.

201

202 The Department's ability to issue tax-exempt municipal
203 bonds produces below-market interest rate mortgage
204 loans. Interest income from the municipal bonds is
205 generally exempt from federal, state, and local taxes.
206 Interest rates on "taxes-exempt" municipal bonds
207 therefore are lower than interest rates on "taxable"

208 bonds. The spread between the tax-exempt and the
209 taxable bond interest rates creates the subsidy required
210 to offer the below-market interest mortgage rates.

211

212 Our scope for this audit included a review of applicable
213 Texas Administrative Code Title 10, Section 2.401, the
214 Department's annual interest rate risk management
215 policy, TDHCA investment policy for fiscal year 2025,
216 applicable SOPs, and evaluating internal controls within
217 the Single Family Mortgage Revenue Bond Program.

218

219 We also reviewed the roles and responsibilities of each
220 vendor as it related to the operation of the Single
221 Family Mortgage Revenue Bond Program for potential gaps
222 in coverage and controls, and evaluated the internal
223 controls currently in place within the program to ensure
224 segregation of duties and proper internal controls.

225

226 We reviewed and evaluated contracts and agreements
227 between TDHCA Bond Finance Division and its outside
228 vendors for completeness and accuracy.

229

230 Based on our review and analysis, the Single Family

231 Mortgage Bond Revenue Program is operating effectively
232 at TDHCA and providing below -market interest rate loans
233 to eligible Texans. We identified some areas for
234 improvement to management of the contracts and
235 agreements between TDHCA and its vendors. The details
236 of our recommendations are included in the report. They
237 were mostly with getting the vendors to verify that they
238 had cybersecurity controls in place.

239

240 **Ajay Thomas (0:09:36):**

241 Excellent. Thank you for that report. Any questions
242 about the Single Family Mortgage Revenue Bond Program
243 audit?

244

245 Mark, one question. So as we get proceeds and tax-
246 exempt bonds and because of the nature of tax-exempt
247 bonds, did the audit take a look at or contemplate
248 segregation of accounts in the Bond Finance Division to
249 make sure that the integrity of those bond proceeds were
250 in the right accounts?

251

252 **Mark Scott (0:10:01):**

253 We didn't do thorough testing. We did some high-level

254 tests of controls.

255

256 **Ajay Thomas (0:10:06):**

257 Because I know it's not an issue really what we had to
258 deal with for a while. But as you get into an interest
259 rate environment where you may have yield and investment
260 proceeds in those accounts that get to a certain yield
261 and what we have to rebate back because they're tax-
262 exempt bonds.

263

264 **Mark Scott (0:10:23):**

265 Yeah. Those heavy duty, or those details, the State
266 Auditor (SAO) reviews that within financial statement
267 audit.

268

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

270 Excellent. All right. Thank you. Any other questions
271 for Mr. Scott on this item? All right. Hearing none,
272 we'll move on. Thank you, Mark.

273

274 The last report item on today's agenda is the report on
275 the status of the internal and external audit activities
276 here at TDHCA. Mr. Scott will also be presenting this

277 report to us.

278

279 **Mark Scott (0:10:51):**

280 Thank you. Yeah. We finished the Single Family
281 Mortgage Revenue Bond audit and the Davis-Bacon audit,
282 and we've started our audit of the Real Estate Analysis
283 section. And when we finish that, that will conclude
284 our Fiscal Year 2025 Audit Plan.

285

286 We are also conducting our annual risk assessment and
287 requesting input from management and oversight bodies
288 for preparation of the Fiscal Year 2026 Internal Audit
289 Plan. And we hired a new auditor. Her name is Naomi
290 Marmell. She's in the audience. She has a master's
291 degree from UT and considerable audit experience at
292 other agencies.

293

294 On the external audits, the SAO has started their audit
295 of the TDHCA financial statements, and this will be the
296 last year that SAO is going to do the financial
297 statement audit. In subsequent years, this audit will
298 have to be procured with a new auditor. In late fiscal
299 year 2026, the SAO is going to conduct an efficiency

300 audit of TDHCA. This is pursuant to House Bill 12 and
301 will be done in preparation for the TDHCA Sunset Review,
302 which is scheduled for the 2026/2027 cycle. During the
303 sunset process, the agency will prepare self-evaluation
304 reports, SERs, and those are a critical part of the
305 review process.

306

307 Also, the Federal Treasury Department, OIG, is still
308 working on their audit of the Texas Rental Assistance
309 Program. The program is going to hire a statistician to
310 review the OIG's work. The statistician may review
311 technical aspects such as whether the samples were
312 accurately representative and whether they were drawn
313 from a universe that had a normal distribution. The
314 current timeline includes a discussion draft expected in
315 December of 2025, though this may shift based on prior
316 delays in the auditor estimates. And that concludes my
317 presentation, and I'll be happy to answer any questions
318 there may be.

319

320 **Ajay Thomas (0:12:50):**

321 Thank you, Mark. Any questions for Mr. Scott on this
322 last report item?

323

324 **Leo Vasquez III (0:12:56):**

325 Sounds good.

326

327 **Ajay Thomas (0:12:56):**

328 Mark, one question on the audit or the financial

329 statement, so this will be the last year that the SAO

330 does the audit. And you make note in the materials that

331 we will have to get a new auditor. That will be

332 presumably an external auditor that we'll...

333

334 **Mark Scott (0:13:12):**

335 Yes.

336

337 **Ajay Thomas (0:13:15):**

338 That we have to get, right?

339

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

341 Yes.

342

343 **Ajay Thomas (0:13:13):**

344 Then take over that function for us.

345

346 **Mark Scott (0:13:15):**

347 Correct. Yes, sir.

348

349 **Ajay Thomas (0:13:16):**

350 Okay. Great. Thank you for the clarification. Any

351 other questions for Mr. Scott? Hearing none, Chair's

352 prerogative. Naomi, welcome to the agency. Pleasure

353 having you. Great expertise. Thank you. You joined a

354 great group and we look forward to having you here.

355

356 That concludes today's agenda item for the Audit and

357 Finance Committee. I want to appreciate everybody for

358 showing up a little bit early to participate in today's

359 meeting. Let's see here. With nothing else on the

360 agenda, that concludes today's meeting. So the meeting

361 is now officially adjourned at 9:44 a.m., Central Time.

362 Thank you.

363 * * * * *

364