

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

On Thursday, March 6, 2026 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 Dewitt C. Greer State Highway Building, 125 E. 11<sup>th</sup> Street, Williamson Board Room, Austin Texas. Mr. Ajay Thomas, the Chair of the Audit and Finance Committee, presided over the meeting, and Mr. Mark Scott, Director of the Internal Audit Division, served as the secretary. Committee members Ms. Cindy Conroy, Ms. Anna Maria Farias, and Mr. Leo Vasquez 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 then moved to the first action item on the agenda; approval of the minutes from December 11, 2025, meeting of the Audit and Finance Committee. The minutes were adopted as presented and were approved.

The next action item on the agenda was "Presentation, discussion, and possible recommendation for approval of the State Auditor's Office audit of the TDHCA financial statements for FY 2025 to the governing board" and was presented by Mr. Sumners and Mr. Amadou Ngaide from SAO.

Mr. Sumners said that they issued two unmodified opinions as part of their engagement; one on the Department's FY 25 basic Financial Statements, and one on the Department's Financial Statements related to the Revenue Bond program for FY 2025. In both cases they identified that the Financial Statements were materially correct and that they were reported in accordance with the Generally Accepted Accounting Principles, or GAAP. Additionally, it was concluded the Department's Housing Finance Division's computation of unencumbered fund balances complies with Texas Government Code Section 2306.204 and 205. The SAO also issued a report on the Department's compliance with the Public Funds Investment Act for the end of fiscal year ending August 31, 2025. The results of that work disclosed no issues of noncompliance or other matters that were required to be disclosed under Government Auditing Standards.

Prior to fiscal year 2025 Financial Statements audit work, SAO issued an unmodified or clean opinion on the Department's fiscal year 2024 financial data schedule as it relates to the fiscal year 2024 basic Financial Statements. SAO also performed agreed-upon procedures and determined that the electronic submission of certain information to the US Department of Housing and Urban Development's Real Estate Assessment Center agreed with related hard copy documents and HUD accepted the Department's submission in December. At the conclusion of

the presentation Mr. Sumners thanked TDHCA management and staff and offered to answer any questions that the Committee members may have.

Mr. Thomas asked if in their review there was any areas that could potentially benefit from strengthen audit processes. Mr. Sumners said anything that was identified based on their planning and risk assessment process is communicated, and that he cannot think of anything else at this point. With no other comments or questions, Mr. Thomas asked for a motion to approve the recommendation of the State Auditor's Office report to the full board. The motion was made by Ms. Farias and seconded by Ms. Conroy. Motion passed.

The next item on the agenda was the "Presentation and discussion of Internal Audit report of the 10% Test function at Asset Management division (HTC)", and was presented by Mr. Mark Scott, Director of Internal Audit division. Mr. Scott said that The 10% Test (HTC) function was identified during the fiscal year 2026 risk assessment and rated high on the risk assessment matrix due to its importance in ensuring compliance with State and Federal rules governing Multifamily programs. Submission of a 10% Test is required of all awardees of a competitive Housing Tax Credit allocation. All submissions are reviewed by Department staff to verify compliance with applicable rules, including reconciliation of all the information provided in the submission with the corresponding or related information in other documents.

For this audit we reviewed applicable Texas Administrative Codes, applicable US Treasury Regulations, function specific SOP, internal documents such as Post Award Activity manual, and other applicable rules and regulations. We Also conducted interviews with several division staff and performed testing and analysis of the processes involved in receiving and reviewing developments' 10% packets, including requests for extension.

Based on our review and testing the 10% Test function at Asset Management division seems to be operating effectively in reviewing and accepting development packets and requests for extensions. We identified some areas for improvement and made recommendations to management and staff. Management agreed to our recommendation and their responses are included in the report. Mr. Scott then offered to answer questions for the Committee members.

With no questions from the Committee members Mr. Thomas moved to the next report item on the agenda; "Report on the status of the internal and external audit activities" and was presented by Mr. Scott as well. Mr. Scott said that, as was just presented, the SAO completed the audit of the TDHCA financial statements along with the financial statement portion of the statewide audit which included TDHCA. This audit resulted in an unqualified, or "clean" opinion. The federal compliance component of the statewide audit was conducted by CliftonLarsonAllen (CLA). They had findings related to an error in reporting obligated funds under LIHEAP, and a cash management issue related to a required computation of clearance pattern, which is used to

determine potential interest due between state and federal funding sources. They also had a finding related to monitoring in the HOME program. For one of the properties included in the CLA sample, the inspection had not been conducted in the required timeframe. The Comptroller's Office has started an audit of Contracting at TDHCA.

Mr. Scott also stated that the SAO will not be conducting the financial statements audit next year and that TDHCA is in the process of procuring a different audit firm to conduct that audit. The SAO is conducting the efficiency audit of TDHCA that is required by Tex Govt Code 327.002. The Homeowner Assistance Fund (HAF) and the Rental Assistance Program expenditures are still being reviewed by the federal office of Inspector General.

On the internal audit activities Mr. Scott said that on the FY 2026 audit plan, we completed audit of the 10% Test function, and we have started audit of the Housing Resource Center division. At the conclusion of his presentation Mr. Scott introduced the new audit staff, Ms. Eric Haughton and offered to answer questions for the committee members.

Mr. Vasquez asked about the finding related to CLA's audit. Mr. Scott explained how the Clearance Pattern is calculated and supposed to be done, and how it resulted in a finding for the Department. He also clarified the definition of "material finding" in different audit reports based on the criteria for each audit. Mr. David Cervantes, Director of Administration and the CFO for the Department, provided more explanation regarding the Cash Management Improvement Act agreement that's between the Department and the federal government, and assured the committee that the Department has acknowledged the comment and is fully prepared to submit the documentation associated with the calculation, and that there is no reason to be concerned about this item.

The Committee members expressed their appreciation for clean audit reports with no major findings. Mr. Scott said that if we don't have findings in our audits we try to add value by describing what the division or the program is doing well and how it is done. Ms. Conroy added that this is a testament to Bobby's leadership and thank him for his efforts.

With no further questions or comments, Mr. Thomas formally adjourned the meeting at 9:49.