



**TDHCA Governing Board Audit and  
Finance Committee Meeting Transcript\***  
**from March 6, 2025**

***09:30 a.m. Central Time***

***Dewitt C. Greer State Highway Building,  
Williamson Board Room***

***125 E. 11<sup>th</sup> Street, Austin, TX 78701***

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1 **Ajay Thomas (0:00:12):**

2 Good morning, and welcome to the March 6th meeting of  
3 the Audit and Finance Committee. I appreciate everybody  
4 being here this morning. Before we begin, I want to  
5 welcome a new member to the Committee. while she's been  
6 on the Board for a few meeting sessions, this will be  
7 the first official meeting on the Audit and Finance  
8 Committee, so I wanted to take the time to welcome  
9 Member Conroy to the Committee.

10

11 **Cindy Conroy (0:00:40):**

12 Thank you -- thank you very much.

13

14 **Ajay Thomas (0:00:42):**

15 You're more than welcome. Thank you. Glad to have you  
16 on the Committee. We do have a full quorum today.  
17 We've got a pretty good-sized agenda. We'll get through  
18 it. Let's go ahead and take an official roll. I, as  
19 Chair, am here. Member Vasquez.

20

21 **Leo Vasquez (0:01:00):**

22 Here.

23

24

25 **Ajay Thomas (0:01:02):**

26 Member Farias is on excused absence today. Member  
27 Conroy. We've heard from her. Officially here,  
28 correct?

29

30 **Cindy Conroy (0:01:08):**

31 Yes, officially.

32

33 **Ajay Thomas (0:01:15):**

34 Very good. We have two action items and two report  
35 items on today's agenda. The first action item is the  
36 approval of the minutes for the December 12, 2024  
37 meeting of the Audit and Finance Committee. In that  
38 meeting, Mr. Mark Scott, the gentleman to my right, the  
39 Director of Internal Audit, presented the Internal Audit  
40 Annual Work Plan for Fiscal Year 2025 as an action item  
41 for recommendation to the full board for approval. The  
42 plan was voted for recommendation to approve after  
43 discussion with Committee members.

44

45 Mr. Scott also presented four report items which were,  
46 1, the audit report on Compliance Monitoring Section of  
47 the Compliance Division; 2, the presentation and  
48 discussion of the Internal Audit Report on

49 implementation status of the prior audit finding and  
50 recommendations; 3 the presentation and discussion of  
51 the Internal Audit annual report; and 4, the report on  
52 the status of the internal and external audit  
53 activities. Members, the minutes are in your packets.  
54 May I have a motion to approve the minutes from the  
55 December 12, 2024 Audit and Finance Committee meeting?

56

57 **Leo Vasquez (0:02:23):**

58 I move to approve.

59

60 **Ajay Thomas (0:02:24):**

61 I have a motion from Member Vasquez. Do I have a  
62 second?

63

64 **Cindy Conroy (0:02:25):**

65 Second.

66

67 **Ajay Thomas (0:02:27):**

68 Second by Member Conroy. All in favor say, aye.

69

70 **Cindy Conroy (0:02:27):**

71 Aye.

72

73 **Leo Vasquez (0:02:30)**

74 Aye.

75

76 **Ajay Thomas (0:02:31):**

77 None opposed. Motion passes. Our next action item for  
78 today is the presentation, discussion, and possible  
79 recommendation for approval of the State Auditor's  
80 Office audit of the TDHCA financial statements for 2024.  
81 Mr. Michael Clayton and Mr. Alexander Summers with the  
82 SAO office are here to present this item to us. Welcome  
83 gentlemen.

84

85 **Michael Clayton (0:03:00):**

86 Good morning, Chairman and Members. I'm Michael  
87 Clayton. I'm an Audit manager with the State Auditor's  
88 Office. I was the Audit Manager for this year's fiscal  
89 year '24 audit of the Department of Housing and  
90 Community Affairs financial statements. With me, I have  
91 Alex Summers, who is the Project Manager for our office  
92 and he was the Project Manager on the audit of the FY24  
93 Housing and Community Affairs financial statements. I  
94 just want to briefly take a moment and say thank you to  
95 all the staff at Housing and Community Affairs.

96

97 You know, the Comptroller shortened the period to get  
98 all this done this year by about a week, and we  
99 appreciate all their efforts to make that happen, so  
100 that we can get an opinion done by the required due date  
101 and, you know, I used to be on the other side of this  
102 desk. I wasn't always the person doing the auditing in  
103 my past life, and I know it's a full-time job kind of  
104 managing an audit on top of doing their full-time job,  
105 so I'd really like to say an appreciation to everybody  
106 for their assistance during the audit. So, with that,  
107 I'll turn it over to Alex to give an overview of what we  
108 determined.

109

110 **Alexander Sumners (0:04:00):**

111 Thank you. So as Michael said, my name is Alex Sumners  
112 and I am a Project Manager with the State Auditor's  
113 Office. This morning, we will be discussing the results  
114 of our most recent financial audits at the Department.  
115 We issue two unmodified opinions as part of the audit,  
116 one for the Department's basic financial statements for  
117 fiscal year 2024 and one for the Department's Revenue  
118 Bond Program financial statements for fiscal year 2024.  
119 We determined that these financial statements were

120 materially accurate and reported in accordance with  
121 generally accepted accounting principles.

122

123 In other words, we determined that the statements as  
124 issued were not misleading to the readers of those  
125 statements. Additionally, we concluded that the  
126 Department Finance Division's computation of  
127 unencumbered fund balances complies with Texas  
128 Government Code Section 2306.204 and 2306.205. We also  
129 issued a report on the Department's compliance with the  
130 Public Funds Investment Act for the fiscal year ended  
131 August 31, 2024. The results of that work disclosed no  
132 issues of non-compliance or other matters that are  
133 required to be reported under government auditing  
134 standards.

135

136 Prior to the fiscal year 2024 financial statements audit  
137 work, we also issued an unmodified or clean opinion on  
138 the Department's Fiscal Year 2023 Financial Data  
139 Schedule, as it related to the fiscal year 2023 basic  
140 financial statements.

141

142 Additionally, we performed agreed-upon procedures and  
143 determined that the electronic submission of certain

144 information to the US Department of Housing and Urban  
145 Development's Real Estate Assessment Center agreed with  
146 related hard copy documents and HUD accepted the  
147 Department's submission in October.

148

149 Lastly, I would like to thank the Financial  
150 Administration and Accounting departments and Mr. Scott  
151 in the Internal Audit for their assistance and  
152 cooperation throughout this audit. That concludes my  
153 comments, and I'd be happy to address any questions that  
154 you have.

155

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

157 Thank you, Mr. Sumners, Mr. Clayton. Do any of the  
158 committee members have any questions regarding the SAO's  
159 report today?

160

161 **Leo Vasquez (0:06:12):**

162 I kind of have a general question.

163

164 **Ajay Thomas (0:06:16):**

165 Member Vasquez.

166

167



168 **Leo Vasquez (0:06:18):**

169 So, assuming numbers match up our numbers, and then what  
170 gets sent to HUD, for instance. Is there any way that  
171 we can actually mess this up?

172

173 **Alexander Sumners (0:06:32):**

174 Not that I'm aware of. Unless a number gets entered  
175 wrong but, you know, we have our own processes to make  
176 sure that things are entered correctly, so.

177

178 **Michael Clayton (0:06:42):**

179 And I think that's a trick question, right? There's  
180 always somebody --

181

182 **Alexander Sumners (0:06:46):**

183 Yeah.

184

185 **Michael Clayton (0:06:44):**

186 -- how it's easy for somebody to -- excuse the  
187 expression -- fat finger something, as we say in the  
188 auditing profession, but you know, I think the  
189 likelihood of that is -- is --

190

191

192

193 **Alexander Sumners (0:06:51):**

194 Yeah.

195

196 **Michael Clayton (0:06:51):**

197 -- very low in the grand scheme of things, from a risk  
198 standpoint, so --

199

200 **Alexander Sumners (0:06:54):**

201 Yeah.

202

203 **Leo Vasquez (0:06:56):**

204 And you all might not have seen or been searching is  
205 there any risk points for fraud or, you know, just  
206 intentional misreporting of things? Just because  
207 there's so many checks and balances --

208

209 **Alexander Sumners (0:07:10):**

210 Yeah.

211

212 **Leo Vasquez (0:07:10):**

213 There's almost -- how can you do that?

214

215

216 **Alexander Sumners (0:07:12):**

217 Yeah. I'm not aware of any off the top of my head, but

218 --

219

220 **Michael Clayton (0:07:16):**

221 Well, you know, there is always a risk and we are

222 required by --

223

224 **Alexander Sumners (0:07:19):**

225 Yeah.

226

227 **Michael Clayton (0:07:19):**

228 -- auditing standards to actually consider those risks.

229 And, you know, if we think there's a significant risk to

230 put some procedures in place --

231

232 **Alexander Sumners (0:07:24):**

233 Yeah.

234

235 **Michael Clayton (0:07:25):**

236 -- specifically, to -- to address those. But, you know,

237 as you say, with the controls in place and segregation

238 of duties, it would almost take collusion, which is --

239

240 **Alexander Sumners (0:07:33):**

241 Yeah.

242

243 **Michael Clayton (0:07:32):**

244 -- quite honestly, very difficult for auditors to find.

245

246 **Leo Vasquez (0:07:35): Yeah.**

247 Okay. Great. Thanks.

248

249 **Ajay Thomas (0:07:38):**

250 Thank you. Thank you, Member Vasquez. Member Conroy,

251 any -- any questions from you?

252

253 **Cindy Conroy (0:07:46):**

254 None.

255

256 **Ajay Thomas (0:07:46):**

257 Thank you. I just want to make one comment, Mr.

258 Clayton, addressing to your initial comments. I do want

259 to recognize staff for, you know, pulling together all

260 the information, being cooperative obviously with the

261 SAO's efforts, with the abbreviated timeline and such.

262 I've now been on this board, it's hard to believe, five

263 years and been on this committee for about that long a

264 duration and I'll say I've always been so impressed with  
265 the staff at TDHCA, and their ability to evolve and  
266 adjust and meet any deadline.

267

268 And it's just, it's pretty awesome in -- in the state  
269 government process. So, congratulations to all of them  
270 and thank you for working with them, as efficiently and  
271 diligently as you all do as well, and providing the  
272 report to us. And so, I know that my colleagues on the  
273 committee share that view and on the broader board as  
274 well so thank you for that. No other questions. I will  
275 now, at this point, ask for a motion to approve the  
276 recommendation of the State Auditor's Office report to  
277 the full board later this -- later today.

278

279 **Cindy Conroy (0:08:50):**

280 I know, but I don't have my notes to -- I so move.

281 First --

282

283 **Ajay Thomas (0:08:56):**

284 I have a -- I have a motion to approve the

285 recommendation --

286

287

288 **Cindy Conroy (0:09:00):**

289 Motion to approve.

290

291 **Ajay Thomas (0:09:01):**

292 -- from Member Conroy. Do I have a second?

293

294 **Leo Vasquez (0:09:04):**

295 Second.

296

297 **Ajay Thomas (0:09:05):**

298 Second by Member Vasquez. All in favor say aye.

299

300 **All Board Members (0:09:06):**

301 Aye.

302

303 **Ajay Thomas (0:09:06):**

304 Aye. Motion passes. Moving to our report items. The

305 first report item is the presentation and discussion of

306 the Internal Audit Report of Amy Young Barrier Removal

307 Program, and it will be presented by Mr. Scott.

308

309 **Mark Scott (0:09:22):**

310 Thank you.

311

312 **Ajay Thomas (0:09:23):**

313 Mark.

314

315 **Mark Scott (0:09:24):**

316 Yes. The Amy Young Barrier Removal program was  
317 identified during the fiscal year 2025 risk assessment  
318 and rated high on the risk assessment matrix due to lack  
319 of recent audits of the program and its importance in  
320 helping low-income individuals with disabilities to live  
321 in a safe and hazard-free home. Our scope for this  
322 audit included a review of the applicable Texas  
323 administrative codes, program manual, and program SOPs,  
324 and internal controls related specifically to the AYBR  
325 program. We also conducted interviews with several key  
326 program staff and performed testing and analysis of the  
327 operation of the program from the approval process of  
328 the administrators to approval and funding of individual  
329 projects.

330

331 The program is reimbursement, so that funds are paid  
332 after projects are complete. In this audit, we randomly  
333 selected six administrative files from a total of 54  
334 active administrators who serve different counties in  
335 Texas and eight applicants' files from a total of 73

336 applications that were approved and/or funded during  
337 fiscal year 2024. The selected samples were reviewed  
338 and tested for accuracy, completeness, and compliance  
339 with applicable rules. Based on our review and testing,  
340 the Amy Young Barrier Removal Program seems to be  
341 operating effectively in assisting low-income Texans to  
342 live in safe and hazard-free homes. We had no findings  
343 for this program. It was a clean audit.

344

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

346 As always, excellent news. Thank you for that report,  
347 Mr. Scott. Any questions or comments from members for  
348 the report you heard today about the program? Hearing  
349 none. I just had one question, Mr. Scott.

350

351 **Mark Scott (0:11:13):**

352 Sure, sir.

353

354 **Ajay Thomas (0:11:13):**

355 So, the program was initially in its form and it's been  
356 around for quite some time, about a decade or so. Is  
357 this the first time that we've gone through a random  
358 audit, or is --

359



360 **Mark Scott (0:11:25):**

361 It's the first time I've audited it. There were some  
362 interesting issues with the program before Abigail took  
363 it over. All the programs I audited for her, it's -- we  
364 don't have any findings so.

365

366 **Ajay Thomas (0:11:41):**

367 Generally, which is a good thing. Abigail's programs  
368 tend to be boring, so it's a good -- it's a good thing.

369

370 **Mark Scott (0:11:45):**

371 Abigail Bishop. Yeah.

372

373 **Ajay Thomas (0:11:47):**

374 Appreciate that. Well, very good. If there's no other  
375 comments or questions regarding this report, we'll move  
376 on to the next report item on today's agenda, which is  
377 the report on the status of the External and Internal  
378 Audit activities. Mr. Scott will be presenting this  
379 report to us as well.

380

381 **Mark Scott (0:12:05):**

382 Thank you. Yes. As just presented, the SAO completed  
383 the audit of the TDHCA financial statements, along with

384 the financial statement portion of the statewide audit,  
385 which included TDHCA. Both resulted in unqualified or  
386 clean opinions. The Federal compliance component of the  
387 statewide audit was conducted by CliftonLarsonAllen,  
388 CLA. CLA had audited as major programs; Low Income Home  
389 Energy Assistance Program, LIHEAP; Emergency Rental  
390 Assistance, ERA, and Homeowner Assistance Fund, HAF, and  
391 did follow-up work this year to clear prior year's  
392 findings.

393

394 All the prior year findings were corrected/cleared and  
395 for this year, they had minor findings on LIHEAP and the  
396 HOME program which the agency is working on now. Just  
397 to note just in case some people aren't familiar with  
398 this, major program designation for single audits is  
399 determined based on program size and risk. They have a  
400 a model they use to pick them. The key compliance  
401 requirements tested for single audits typically include  
402 activities allowed or unallowed, allowable cost  
403 principles, eligibility matching, level of effort,  
404 earmarking, period of performance, subrecipient  
405 monitoring, cash management and others. These  
406 guidelines are in the OMB compliance supplement and the

407 CLA audit provides good assurance over the federal  
408 funds.  
409  
410 Also, there's follow-up work done on the SAO audit of  
411 the procurement of TRR contracts and all the prior year  
412 findings have been cleared. There's still some review  
413 work by Federal OIG in process. On the Internal Audit  
414 activities, on the audit plan for 2025, as noted, we  
415 completed the Amy Young Barrier Removal Program audit.  
416 We started the audit of The Davis-Bacon Act activities  
417 and the audit of Rent Approval processes. The strategy  
418 was basically to get the small internal audits done  
419 while the external audits were being finished. And then  
420 we'll tackle the bigger audits on the plan, like real  
421 estate analysis and the single-family mortgage revenue  
422 bonds processes. That concludes my presentation. I'll  
423 be happy to answer any questions there may be.

424

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

426 Well, certainly a lot of information. Thank you, Mr.  
427 Scott, for that thorough report. So, from my  
428 perspective, clean audit, no problems. Internal,  
429 external reports, all good.

430

431 **Mark Scott (0:14:33):**

432 Correct. The -- well on the -- on the -- there's some  
433 new findings on the CLA audit but --

434

435 **Ajay Thomas (0:14:38):**

436 Right. That's routine. Definitely.

437

438 **Mark Scott (0:14:39):**

439 Yeah. Just routine stuff, yeah.

440

441 **Ajay Thomas (0:14:41):**

442 We'll find new things and try to mitigate those and --  
443 and such.

444

445 **Mark Scott (0:14:43):**

446 But the -- but the prior year's findings were clear.

447

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

449 Excellent. Any questions from any members on Mr.  
450 Scott's latest report?

451

452 **Leo Vasquez (0:14:51):**

453 I have a quick question. Right before you got to your  
454 statement on Internal Audit activities towards the end,

455 you've muttered something about -- oh, and there's still  
456 some other things --

457

458 **Mark Scott (0:15:04):**

459 Yeah.

460

461 **Leo Vasquez (0:15:06):**

462 -- by OIG, that -- HUD-OIG that's being looked at.

463

464 **Mark Scott (0:15:09):**

465 Yeah. And okay. So, about a year or so ago, they sent  
466 us a letter saying they were going to audit that program  
467 and they've been -- -- I haven't seen any indication  
468 that they finished and my understanding is they're going  
469 to finish in a few months. I haven't gotten any update  
470 on their findings. From them.

471

472 **Leo Vasquez (0:15:33):**

473 Were there any initial findings that --

474

475 **Mark Scott (0:15:36):**

476 Well, as we discussed a couple of years ago on that  
477 rental assistance there was all kinds of recipient  
478 fraud... type stuff.

479

480 **Leo Vasquez (0:15:45):**

481 Okay. Okay. But not on our regular activities. It's -

482 -

483

484 **Mark Scott (0:15:50):**

485 Not --

486

487 **Leo Vasquez (0:15:52):**

488 -- all straightforward?

489

490 **Mark Scott (0:15:53):**

491 Correct.

492

493 **Leo Vasquez (0:15:54):**

494 Okay. All right. Just, just for those letters, OIG.

495

496 **Ajay Thomas (0:15:59):**

497 Not -- well - good, good to get clarification.

498

499 **Mark Scott (0:16:02):**

500 Yes, sir.

501

502

503 **Ajay Thomas (0:16:02):**

504 Thank you, Member Vasquez. Any other questions for Mr.

505 Scott on this report? Hearing none, if there are no

506 other questions, then that concludes today's business

507 and today's meeting of the Audit and Finance Committee.

508 The meeting is officially adjourned at 9:47 a.m. Thank

509 you, everybody, for attending and we'll be moving

510 shortly to our full board meeting. Thank you.

511

512 **Mark Scott (0:16:24):**

513 Thank you.

514

515

516

517

518

519