



**Transcript from Governing Board's  
Audit and Finance Committee meeting  
of December 7, 2023**

***9:30 a.m. Central Time***

***TxDOT Greer Building, Williamson Board Room***

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

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

Good morning everybody, and welcome to the December 7th meeting of the TDHCA Audit and Finance Committee. I can't believe it's already been a full year. Let's go ahead and take a quick roll call, and see if we have a quorum which I visually can see we do. Ms. Farias?

**Anna Farias (00:22):**

Here.

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

Mr. Vasquez?

**Leo Vasquez (00:25):**

Here.

**Ajay Thomas (00:26):**

And I'm here as the chair so we have a full quorum. We have two action items and four report items on today's agenda. The first action item is the approval of the minutes for the September 7th, 2023 meeting of the Audit and Finance Committee. In that meeting Mr. Mark Scott, the director of internal audit, who's present here to my right, presented four report items; Internal audit of the home disaster relief fund and the Tenant-based rental assistance program, the internal audit of the Texas TDHCA Audit & Finance Committee Dec 07, 2023  
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Statewide Home Buyer Education Program and Home Buyer U at TDHCA, the internal audit follow-up report on prior audit findings and recommendations, and the report on the status of the internal and external audit activities. The minutes are in your packets. May I have a motion to approve the minutes from the September 7th, 2023 Audit and Finance Committee meeting?

**Anna Farias (01:25):**

Mr. Chairman, I move that we approve the committee minutes of the Audit and Finance Committee meeting minutes of September 7th, 2023.

**Ajay Thomas (01:36):**

Thank you. Member Farias. Ms. Farias has made a motion. May I have a second?

**Leo Vasquez (01:39):**

Second.

**Ajay Thomas (01:40):**

Seconded by Mr. Vasquez. All in favor say aye.

**All Board Members (01:43):**

Aye.

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

None opposed. Let's go to our second item. Our next action item for today is the presentation, discussion, and possible recommendation of approval to the full board of fiscal year 2024 internal audit annual work plan. Mr. Scott will present the audit plan and offer to answer any questions that you may have.

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

Thank you, Mr. Thomas. We developed the fiscal year 2024 internal audit plan utilizing the risk assessment matrix, which had been updated for programs and issues related to the pandemic. We removed from the list of auditable units some of the programs that were specific to the COVID-19 pandemic and have been closed. The following are the top six auditable units that rated highest on our annual risk assessment. The project numbers are for identification purposes, and may not correspond to the order in which the projects are performed. For each of the audits in this plan, OIA will conduct a project risk assessment at the start of the audit to identify specific audit objectives. The first audit is the Program Services section at TDHCA. The Program Services section provides services to the programmatic functions. The section facilitates adherence to the rules regarding processing and completion of federal mandates and departmental requirements affecting a variety of programs administered by the department. These mandates and requirements

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include environmental review and clearances, employment opportunities for low income people, loan closings, quality assurance, and federal funds. Non-Compliance with federal mandates can affect release of funds and future program eligibility. This function rated high on the annual risk assessment due to lack of any prior audits as well as recommendation for review from management.

(03:44):

The second audit on the plan is the Multifamily Compliance Monitoring division. The compliance monitoring section is responsible for long-term compliance with the multifamily housing programs funded through TDHCA. Compliance monitors conduct reviews to evaluate compliance with income and rent limits, as well as other requirements including social services and affirmative marketing plans. Compliance monitors conduct reviews at least once every three years. In addition, the compliance monitoring section reviews each property's annual owner's compliance reports as required under chapter 2306 of the Texas Government Code and other federal regulations. The compliance monitoring section provides training for owners and managers. This division rated high on the annual risk assessment due to its importance in ensuring compliance with applicable laws for multiple programs at TDHCA. The compliance monitoring division was last audited by OIA in 2016.

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(04:52):

The next three auditable units are under the asset management division, which is responsible for the monitoring and processing of all post award activities for developments involving housing tax credits, HOME funds, national and state trust funds and neighborhood stabilization program funds. The post award activities manual outlines the procedures and instructions for completing activities including the 10% test, construction status reports, cost certification, LURA Origination, LURA Amendments application amendments and ownership transfers. The following three units rated high on the annual risk assessment due to lack of prior internal audits as well as their importance in ensuring proper processes and approval for each state of the construction process. So these are all under asset management. Construction Status report; The construction status reports must be submitted by all multifamily developments HOME, NHTF, TCAP, 9% HTC, 4% HTC/Bond that are currently in construction. The submission of construction status reports continues on a quarterly basis until the entire development is complete and the evidence of completion, which are certificates of occupancy for each building, an AIAG 704 (certification of completion), or the final AIAG 702 (certification of payment) or equivalent is received by the Department. The next audit on the plan is Handling of Amendments and Transfers. The asset manager for the TDHCA Audit & Finance Committee Dec 07, 2023  
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relevant project evaluates each amendment request and determines if the change constitutes a notification, requires executive director's approval or is a change that must be approved by the TDHCA board.

(06:57):

Additional information may be requested by department staff in order to properly evaluate and process the request. The next audit on the plan is Ownership Transfers. All multifamily development owners must provide written notice and a completed ownership transfer packet to the department at least 45 calendar days prior to any sale, transfer or exchange of the development or any portion of or controlling interest in the development. Are there any questions on the asset management audits?

Next audit on the plan; It is Grant Accounting. This area is vital in performing proper accounting for the revenue and expenses related to grants. There is a high volume of transactions, some of which can be complex. This area has not undergone a recent audit. That concludes my presentation of the internal audit annual work plan for fiscal year 2024. And I'll be happy to answer any questions there may be.

**Ajay Thomas (08:14):**

Thank you Mr. Scott. Do any other committee members have questions regarding the fiscal year 2024 internal audit work plan?

**Leo Vasquez (08:26):**

I'm good.

**Ajay Thomas (08:27):**

One just quick comment question. So Mark, we develop our audit plan based on a risk-based methodology, right?

**Mark Scott (08:37):**

Yes sir.

**Ajay Thomas (08:38):**

And so some programs like one program you mentioned initially in your list we haven't done since May, 2016 I think it was that you mentioned. Do certain programs come up more frequently for internal audit assessment or do they come through rotation?

**Mark Scott (08:52):**

That's a really good question because supposedly you're supposed to go purely based on risk assessment, but practically you have to kind of cycle. So some of the programs, the fact that they've

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never been audited that alone can make them something that we need to audit.

**Ajay Thomas (09:14):**

Got it. Thank you. Since there are no other questions, the chair will take a motion to approve a recommendation to the full board for approval of the internal audit plan.

**Anna Farias (09:27):**

Mr. Chairman, before I make the motion, I want to thank the staff, Mr. Scott and his staff because yesterday I received a very thorough briefing, as you did of this. I think we were there for about 90 minutes. I don't want the audience to think that we just hear it for the first time. Yeah, yeah. Okay. So anyway, I move Mr. Chairman, that the audit and finances committee of the board recommend approval of the internal audits for fiscal year 2024 by the governing board as presented.

**Ajay Thomas (10:02):**

Thank you Ms. Farias. Ms. Farias has made a motion and I'm sure the audience and people listening hopefully online recognize how smoothly this is all going so that they know we're well briefed and educated before we get here. May I have a second to Ms. Farias motion?

**Leo Vasquez (10:18):**

Second.

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

Second by Member Vasquez. Motion passes. All opposed, none.

Motion passes. Thank you Mr. Scott. Moving to our report items.

The first report item is the presentation and discussion of the internal audit self-assessment report and it will also be presented by Mr. Scott.

**Mark Scott (10:40):**

Thank you. This self-assessment is a required part of the quality assurance process and is typically performed on an annual basis. For this self-assessment, we used the internal audit standards checklist that was created by the State Agency Internal Audit Forum or SAIAF.

(11:02):

For this self-assessment, we used the internal audit standards checklist that was created by the State Agency Internal Audit Forum or SAIAF. We used the same checklist in 2017 to prepare our last peer review and we passed that review with high scores.

For this review, we selected the internal audit of Texas Statewide Homeowner Education Program or TSHEP and HomeBuyer U for self-assessment and Quality Assurance review. Our analysis TDHCA Audit & Finance Committee Dec 07, 2023

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included organizational structure of the internal audit function and internal processes, scope areas that is covered by internal audit as well as the operation of the division. We identified some minor improvement opportunities in our audit processes and have implemented new processes that would address those. We also send out customer surveys for all of our audits and we feel confident that we are well prepared for our next peer review. Are there any questions on this item?

**Ajay Thomas (12:09):**

Members? Any questions for Mr. Scott on this report item? Hearing none, we'll move on. The next report item is presentation and discussion of the internal audit report on the CDBG or what's known as the Community Development Block Grant, Colonia Self-Help Program and the CDBG CARES ACT program. And this report item will again be presented by Mr. Scott.

**Mark Scott (12:34):**

Thank you. The CDBG-CV or Community Development Block Grant CARES Act program rated high on the annual risk assessment and was selected for an internal audit because of its importance in helping Texans respond to and recover from the impacts of COVID-19. Although typically Texas CDBG programs are overseen by Department of Agriculture, TDHCA was chosen to administer the CDBG-CV programs by the governor on behalf of the Department of TDHCA Audit & Finance Committee Dec 07, 2023  
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Housing and Urban Development. The CDBG-CSHC or Community Development Block Grant Colonia Self-Help Center was also included in this audit because it is a component of TDHCA CDBG program activities in general and due to its sub-recipient relationship with the Department of Agriculture, this particular program may not otherwise be reviewed in larger internal audit risk assessment process. The Colonia Self-Help Center, by the way, that kind of hearkens back to your question about the fact that we try to get to all of the items on the list.

(13:46):

The Colonia Self-Help Center CSHC program was established in 1995 to improve the living conditions of Colonia residents, especially those of whom are low income to very low income with public service activities such as tool lending, library, technology center, solid waste collections, and other general community assistance opportunities. The TDHCA has contracted with Val Verde, Maverick, Nueces, Cameron/Willacy, Hidalgo, Starr, Webb and El Paso counties to serve all colonias geographically. This program is awarded approximately one and a half million dollars annually, which is distributed amongst the seven selected Colonia Sub-recipients. In general, the audit scope for both programs included thorough reviews of Texas Administrative Code, relevant federal rules and regulations, sub-recipient contracts, relevant NOFA's and action plan

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amendments and expected deliverables from sub-recipients for the past three years of operation. Based on our review and testing, CDBG-CV and CDBG-CSHC programs appeared to be operating effectively and providing services to at-risk Texans that were impacted negatively by COVID-19 or that reside in the Colonia. CDBG-CV program was issued one recommendation to ensure that all active sub-recipients are up to date with yearly single audits as required according to statute. The CDBG-CV team agreed with our finding and has already begun implementing a plan to track the single audits accordingly, no recommendations were issued for the CDBG-CSHC program. That concludes my report on the CDBG programs and I'll be happy to answer any questions there may be.

**Ajay Thomas (15:29):**

Mr. Scott, that report item had a lot of tongue twisters to it.

**Mark Scott (15:34):**

Yes, It did too when I was writing. That was confusing myself.

**Ajay Thomas (15:37):**

Any questions from members on that second report item? Hearing none. We'll continue on with the agenda. The next report item on today's agenda is the internal audit report, annual report for fiscal year 2023. Mr. Scott will present this item to us as well.

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**Mark Scott (15:55):**

Yes. Thank you. This is a statutorily required report that is submitted to all oversight bodies annually. In this report we reconcile audits that have been completed during the past year to audits that were on the approved audit plan. We have completed all of the audible units of our fiscal year 23 audit work plan except for the Homeowner Assistance Fund (HAF) program. Clifton Larsson Allen selected to perform this audit of HAF for fiscal year 23, and we don't want to interfere with their work. So after conclusion of CLA's audit of HAF program, we will evaluate and determine if a further review of the program is necessary. That concludes my update on the annual report.

**Ajay Thomas (16:41):**

Thank you, Mr. Scott. Any members have any questions about the internal audit annual report for fiscal year 2023? Okay, so hearing none, we will now move on to our last agenda item since Mr. Scott is eager to get there. The last report item on today's agenda is the report on the status of internal and external audit activities.

**Mark Scott (17:05):**

Thank you. Internal audit activities; Internal audit has completed all of the audits on the approved 23 work plan, as I noted, except for HAF. Clifton Larson is as I said, we are not doing that audit because we wouldn't be able to avoid interfering with CLA's work there. And we've completed a follow up review of the SAOs findings and recommendations related to their audit of Manufactured Housing division. On the external audit activities, SAO is completing the annual Financial Statements audit, including "in relation to" audits, which you'll be getting various notifications from SAO about them. Treasury Department, OIG is working on their audit of the Texas Rent Relief Program contracts and CLA is working on statewide audit and they selected ERA and Homeowner Assistance Fund (HAF) as major programs for this year. That concludes my report on the Internal and External audit activity.

**Ajay Thomas (18:15):**

Thank you, Mr. Scott. Do members have any questions for Mr. Scott on this last report? Mark, one quick question. So you made reference on a couple different occasions about we wouldn't necessarily engage in the audit at this particular time because we may interfere with the CLA audit. How does that reveal itself? How do we know we would interfere with it or what's the

problem? I mean, do we just take a subservient step back? Do we just let them do it? How does that all work together?

**Mark Scott (18:44):**

Well, it's basically a crime to interfere with their audits, so

**Ajay Thomas (18:50):**

Good answer.

**Mark Scott (18:52):**

So I don't want to even take the risk, frankly.

**Ajay Thomas (18:57):**

Thank you. Well, that clarifies that we don't want to, certainly don't want to do that, and we will avoid that at all costs.

Well, if there are no more questions about any of the report items, that concludes today's agenda and our final agenda of 2023.

So with that members, ladies and gentlemen, we will conclude today's meeting. The meeting of the Audit and Finance Committee at TDHCA is adjourned at 9:49 AM.