

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

On Thursday, December 7, 2023, 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 Greer Bldg, Williamson Board Room, 125 East 11th Street, Austin Texas. Mr. Ajay Thomas, the Chair of the Audit and Finance Committee, presided over the meeting, and Mr. Mark Scott, Director of Internal Audit Division, served as the secretary. Committee members, Mr. Leo Vasquez and Ms. Anna Maria Farias, were present and represented a quorum for the Committee meeting.

Mr. Thomas started the meeting by taking roll and welcoming everyone to the meeting, and said that on today's agenda there are two action items and four report items. The first action item on the agenda was the approval of the minutes from the December 7, 2023 meeting of the Audit and Finance Committee. The minutes were adopted as presented and were approved. Mr. Thomas then moved to the next Action item on the agenda; "Presentation, discussion, and possible recommendation of approval to the full board of fiscal year 2024 internal audit annual work plan", and this was presented by Mr. Scott, Director of Internal Audit.

Mr. Scott said that the fiscal year 2024 internal audit work plan was developed by utilizing the risk assessment matrix, which had been updated based on the changes in programs and issues related to the pandemic. We removed the auditable units that were specific to the pandemic and have been closed. The following are the top six 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 will be performed. For each of the audits in the plan OIA will conduct a project risk assessment at the start of the audit to identify specific audit objectives. The following are the six auditable units: Program Services division, Multifamily Monitoring section of the Compliance division, Grant accounting, and the following three units are under Asset Management division, which are Construction Status Report, Amendments and Transfers, and Ownership Transfers.

Mr. Scott provided a description of each selected unit and the reasoning for selecting each of them. He then offered to answer any questions that the Committee members may have. Mr. Thomas clarified the audit cycle and the process of rotating some of units for second round of audits. Ms. Farias thanked Mr. Scott and his staff for providing her with a very thorough presentation of the audit plan the prior day and answering all of her questions. She then moved a motion to recommend approval of the internal audit plan for fiscal year 2024 to the Governing board as presented. The motion was second by Mr. Vasquez. Motion passed.

Mr. Thomas then moved to the first report item on the agenda; "Presentation and discussion of the internal audit self-assessment report" and was presented by Mr. Scott.

Mr. Scott said that the 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 (SAIAF). We used the same checklist in 2017 to prepare for our last peer review and we passed that review with high scores. During our review we identified some minor improvement opportunities in our audit processes and have implemented new processes that would address them. With no questions from the Committee members Mr. Thomas moved to the second report item on the agenda; "Presentation and discussion of the internal audit report on the Community Development Block Grant (CDBG) Colonia Self-Help program and the CDBG CARES ACT program". The report was presented by Mr. Scott.

Mr. Scott said that the CDBG 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. CDBG-CV program was issued one recommendation and management agreed with the finding and has already begun implementing a plan to address that recommendation. No recommendations were issued for the CDBG-CSHC program. Mr. Scott concluded his presentation and offered to answer questions for the Committee members.

With no question from the Committee members the next report item was presented; "Internal Audit Annual report for fiscal year 2023". Mr. Scott explained that the annual report is a statutorily required report that is submitted to all oversight bodies annually. In this report the audits that have been completed during the past year are reconciled to the audits that were on the approved annual audit plan. We have completed all of the auditable units from FY 23 approved audit plan, except for the Homeowner Assistance Fund (HAF) program. Clifton Larson Allen (CLA) selected to perform the audit of HAF for FY 23, and we don't want to interfere with their work. After conclusion of CLA's audit of HAF program we will evaluate and determine if a further review of the program is necessary.

That concluded Mr. Scott's presentation of this report item and he offered to answer questions for the Committee members. With no questions, Mr. Thomas moved to the fourth and last report item on the agenda; "The report on the status of internal and external audit activities". Mr. Scott said that the internal audit has completed all of the audits on the approved FY23 audit plan except for HAF program, as noted earlier. OIA also completed a follow up review of the SAO's findings and recommendations related to their audit of the 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 notification from SAO about them. Treasury department, OIG is working on their audit of the Texas Rent Relief (TRR) program contracts and CLA is working on the statewide audit, and they selected ERA (Emergency Rental Assistance) and HAF (Homeowner Assistance Fund) as major programs for this year.

That concluded Mr. Scott's presentation of internal and external audit activities. Mr. Thomas asked about interference with external audit activities and the reason for delaying internal audits to avoid potential interference. Mr. Scott said that it is basically a crime to interfere with their

audits and he did not want to risk that. That concluded Mr. Scott's presentation of today's agenda items, and with no further questions Mr. Thomas thanked Mr. Scott for his presentation, and the meeting was formally adjourned at 9:49am.