

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

On Thursday, September 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 Texas Capitol Extension, Hearing Room E2.030, 1100 Congress Avenue, 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 we have an action item and four report items. The only action item on the agenda was the approval of the minutes from the June 15th, 2023 meeting of the Audit and Finance Committee. The minutes were adopted as presented and were approved. Mr. Thomas then moved to the first report item on the agenda; Presentation and discussion of the internal audit report on the Texas Statewide Homebuyer Education program (TSHEP) and Homebuyer U, which was presented by Mr. Scott.

Mr. Scott said that TSHEP and Homebuyer U rated high on the annual risk assessment due to their importance to the TDHCA clients and also the recent management changes within the division. The purpose of these two programs is to provide information and counseling services to prospective Homebuyers regarding the home buying process. OIA reviewed the participants' files and records, and conducted testing to ensure that buyers were receiving training according to the standards. Auditor made recommendations related to updates to the public facing website, updates to information provided in the online education modules, updates to various policies and procedures, locking of the TDHCA issued PDF certificates to prevent unauthorized editing and issuance of certificates to be followed up with secondary verification of authenticity. Management agreed with the recommendations and provided action plans for addressing each recommendation. The details of their action plan are included in the report. Mr. Scott then offered to answer any questions that the Committee may have.

Mr. Vasquez asked how TDHCA is performing compared to other states. Mr. Scott responded that Auditor did not assess against other states. Their testing was focused on the content of the tests and whether or not it provided value to home buyers, and it seems they do. Ms. Matusz (internal audit project manager) also confirmed that her testing was to compare the training program against the National Standards of Education, which they seem to meet the standards. Ms. Matusz also explained her findings and recommendations related to the certificates. Ms. Farias added that during her debriefing with the IA team, she was presented with several certificates and she confirms that it is very easy to miss and not identify the fake certificate.

Mr. Thomas then moved to the next report item; presentation and discussion of the internal audit report on the HOME Disaster Relief and Tenant-Based Rental Assistance (TBRA) program, which was presented by Mr. Scott as well. Mr. Scott said that the Texas Home Disaster Relief program is a long-term housing program designed to help eligible organizations serve income eligible households impacted by disaster. This audit was identified during the fiscal year 2023 risk assessment and rated high on the risk assessment matrix due to lack of recent audits of the program and the additional funding that the program received during Covid19 pandemic. Mr. Scott then explained the criteria and the methodologies used in performing this audit. Based on the review and testing done, the Home Disaster Relief Fund and TBRA programs seem to be operating effectively. He then offered to answer questions for the Committee member.

Mr. Vasquez asked if the agency has an ongoing fraud research going on to see if anyone is scamming the program. Mr. Wilkinson (Executive Director) said that the outside fraud research that Mr. Vasquez seems to be referring to was for Texas Rent Relief program which was much larger program. The Home Disaster Relief Fund and TBRA are smaller program and are administered through local sub-recipients.

With no other questions Mr. Thomas moved to the next report item on the agenda; presentation and discussion of internal audit follow-up report on the implementation status of prior audit findings and recommendations. Mr. Scott started his presentation of this report by saying that this report is an administrative report required by internal auditing standards. This report is on the status of prior internal audit and external audit findings that were issued in the previous year, January 1st through December 31st, 2022. Internal audit is required to submit annual report to comply with internal audit standards. As shown in the report, most of the recommendations have been implemented and findings have been closed. The details are in the report in your packet. Mr. Thomas inquired about the recommendations that remained open. Mr. Scott said that some recommendations, for example IT items, can be related to issues that the DIR is in charge of and TDHCA IT staff have no control over the timing of when it can be completed.

Mr. Thomas then moved to the final item on the agenda; Report on the status of the internal and external audit activities. Mr. Scott said that the SAO is currently working on the financial statement portion of the statewide audit for fiscal year 2022 and the stand-alone audit of the TDHCA financial statements. They also conduct agreed upon procedures where they test specific schedules. Clifton Larson Allen (CLA) is working on the federal compliance portion of the statewide audit this year. They picked Emergency rental Assistance and Homeowner's Assistance Fund as major programs to be audited at TDHCA. Also the OIG from the Federal Treasury Department is doing audit work on TRR and specifically the Horne contract. On the FY 23 internal audit plan, the division has completed the audit of Texas Bootstrap loan program, Staff Services function at TDHCA, HOME Disaster Relief and TBRA, and TSHEP and Homebuyer U. Internal Audit of CDBG CARES is undergoing right now, as well as risk assessment process and preparing the annual audit plan for FY 24, which will be presented to the Committee at the December meeting.

That concluded Mr. Scott's presentation and he offered to answer questions for the committee members. With no questions Mr. Thomas thanked Mr. Scott for his presentation, and the meeting was formally adjourned at 9:46am.