

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

AUDIT AND FINANCE COMMITTEE MEETING

John H. Reagan Building  
Room JHR 140  
105 W. 15th Street  
Austin, Texas

September 5, 2019  
7:30 a.m.

MEMBERS:

SUSAN THOMASON, Chair  
PAUL A. BRADEN, Member  
ASUSENA RESÉNDIZ, Member  
LEO VASQUEZ, Member

ON THE RECORD REPORTING  
(512) 450-0342

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CALL TO ORDER	3
ROLL CALL	
CERTIFICATION OF QUORUM	
ACTION ITEMS:	
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REPORT ITEMS:	
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ITEM 2: Presentation and discussion of Internal Audit review of the implementation status of prior audit findings and recommendations	5
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PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS	none
EXECUTIVE SESSION	none
OPEN SESSION	--
ADJOURN	10

P R O C E E D I N G S

1  
2 MS. THOMASON: Good morning. Welcome to the  
3 September 5 meeting of the TDHCA Audit and Finance  
4 Committee.

5 I will take roll. Mr. Braden?

6 MR. BRADEN: Here.

7 MS. THOMASON: Mr. Vasquez?

8 MR. VASQUEZ: Here.

9 MS. THOMASON: Ms. Reséndiz?

10 MS. RESÉNDIZ: Present.

11 MS. THOMASON: We are here.

12 The only action item that we have on today's  
13 agenda is the approval of the minutes from the June 27,  
14 2019 meeting of the Audit and Finance Committee.

15 At that meeting, the director of Accounting,  
16 Ernie Palacios, discussed the agency budget items. The  
17 Committee recommended approval to the Board of the fiscal  
18 year 2020 TDHCA Division budget. The director of Internal  
19 Audit, Mark Scott, discussed the internal audit of the  
20 construction cost certification function, as well as  
21 recent external audit activities.

22 The minutes were included in your notebook.  
23 May I have a motion to approve the minutes of the June 27  
24 meeting?

25 MR. BRADEN: So moved.

1 MS. THOMASON: Second?

2 MS. RESÉNDIZ: Second.

3 MS. THOMASON: All in favor?

4 (A chorus of ayes.)

5 MS. THOMASON: The rest of our items this  
6 morning are report items. Report item 1 will be the  
7 presentation and discussion of the internal audit of the  
8 complaint resolution processes at TDHCA, and Mark will  
9 present that for us.

10 MR. SCOTT: Thank you, Madam Chair.

11 The complaint resolution process scored high on  
12 our audit plan risk assessment because it is an important  
13 interface with the public. The complaint resolution  
14 function is managed by the Housing Resource Center, or  
15 HRC. There's a separate process for handling fraud, waste  
16 and abuse, or FWA, and that was not part of this audit. I  
17 had presented the FWA process at the September 2018  
18 meeting of the Audit and Finance Committee.

19 Our audit of HRC's complaint resolution process  
20 included a scientific sample of complaints which were  
21 mostly found to be compliant with the attributes we  
22 tested. We had some minor recommendations for  
23 improvements which were agreed to by management.

24 MS. THOMASON: Are there any questions?

25 (No response.)

1 MS. THOMASON: Thank you, Mark.

2 If not, we'll move on to the second report  
3 item. It is the presentation and discussion of the  
4 Internal Audit review of the implementation status of  
5 prior audit findings and recommendations, which will also  
6 be presented to us by Mark.

7 MR. SCOTT: Yes. The second report is an  
8 annual report on the status of prior audit findings. This  
9 is to comply with the Internal Auditing Standards,  
10 specifically Practice Advisories 2500 through 2600. As  
11 noted in the appendices of our report, most of the  
12 recommendations have been implemented.

13 We also track external audit and monitoring  
14 findings. There was a KPMG finding related to LIHEAP that  
15 has been closed. The finding had to do with tracking data  
16 at the household level for beneficiaries of the program.  
17 There's a new household data base system scheduled to be  
18 in testing this month, and it will be available to the  
19 subrecipients in January. KPMG has closed the finding.

20 The external findings that are open have to do  
21 with subrecipient questioned costs which were noted in two  
22 HHS reviews conducted in 2018.

23 MS. THOMASON: Are there any questions?

24 (No response.)

25 MS. THOMASON: All right. If not, we'll move

1 along to our third report item. That is the presentation  
2 and discussion of the Internal Audit follow-up visits to  
3 the migrant labor housing facilities. Mark.

4 MR. SCOTT: Yes. Here I'll point out  
5 something. There's a difference between a follow-up on  
6 audit findings, which I just talked about, which entails  
7 obtaining management assertions and some spot-checking by  
8 audit, as opposed to this follow-up audit. The follow-up  
9 audit on migrant housing was requested when I presented  
10 the original audit in March.

11 As you will recall, we discussed the geographic  
12 area sample and also whether there might be a difference  
13 in the housing conditions based on the seasons. Three of  
14 the facilities we visited this time around were near  
15 Lubbock, one was in Hale County. One facility was south  
16 of San Antonio, and then one facility was around the  
17 Austin area.

18 The farm workers in the two facilities in south  
19 Lubbock were primarily in cotton gins, and the ones in  
20 north Lubbock work at different farms depending on the  
21 harvesting season. For example, they had just finished  
22 harvesting cucumbers at one of their fields the day before  
23 the visit and were getting ready to harvest watermelons  
24 the following week. We were told that a representative  
25 from TWC visits the fields from time to time and they've

1 implemented all the requirements that OSHA put in place  
2 for sanitation, such as portable potties and a hand  
3 sanitizer station at each field.

4 The facility in San Antonio and the one close  
5 to Austin are only used to house the H-2A visa holders.  
6 One was a plant nursery and the other was for growing turf  
7 grass. And we were told by one of the operators that due  
8 to extreme heat this summer, they've been sending farm  
9 workers home at around 3:00 p.m. to avoid the heat  
10 exhaustion.

11 And a note, Tom Gouris wanted me to note that  
12 the number of licensed facilities has gone from 144 in  
13 March to 220 in August of 2019. And from looking at the  
14 places, I would say that the licensed housing we looked  
15 at, it was crowded but it met the minimum standards.

16 We're in the process of conducting a risk  
17 assessment for the 2020 audit plan, and as part of that,  
18 I'm going to send out a request for input and then I'll  
19 see how the migrant labor housing program ranks. If the  
20 Audit Committee wants me to do another round on this, I'd  
21 be happy to.

22 MS. THOMASON: Are there any questions or  
23 comments regarding this item?

24 MR. VASQUEZ: Just one question. When you  
25 visited the five facilities, they were from different

1 operators?

2 MR. SCOTT: Yes. Different operators.

3 MR. VASQUEZ: Okay. Great.

4 MR. SCOTT: At each facility we looked at  
5 several of the units. We wanted to expand the sample to  
6 get a good cross-representation of the state.

7 MS. RESÉNDIZ: Whereabouts in Hale County?  
8 Just curious.

9 MR. SCOTT: What's the name of that little  
10 burg? I forget the name of the city.

11 MS. THOMASON: We can get that after the  
12 meeting.

13 MS. RESÉNDIZ: Thank you.

14 MS. THOMASON: Any other questions for Mark?  
15 (No response.)

16 MS. THOMASON: Thank you.

17 Our last item on today's agenda is the report  
18 on the status of the external audit activities, and Mr.  
19 Scott will present those to us.

20 MR. SCOTT: Yes. I wanted to give you a  
21 heads-up on the audits the State Auditor's Office is  
22 doing, along with their contracted audit firm  
23 CliftonLarsonAllen, CLA. The SAO has completed an audit  
24 of the Manufactured Housing Division which is separate  
25 from TDHCA. They had TDHCA sign an engagement letter



1 since we provide IT services.

2 The anticipated completion date is sometime  
3 this month, so when they're done, they may send audit  
4 reports to all of the TDHCA Board members. I didn't want  
5 you to be surprised when that occurred.

6 They are also conducting the annual audit of  
7 the financial statements and the audit of the bond  
8 activities. Along with the financial audit, the SAO's  
9 contractor, CLA, is conducting federal compliance work on  
10 LIHEAP and CSBG.

11 Also, they are doing an audit of how IT  
12 positions are classified. I think they will note that  
13 TDHCA has some systems analyst positions that should be  
14 systems support positions.

15 And that concludes my presentation. I'll be  
16 happy to answer any questions.

17 And Ms. Reséndiz, the name of that city is in  
18 the audit report, I just don't remember it.

19 MS. RESÉNDIZ: Thank you.

20 MS. THOMASON: Thank you.

21 Are there any questions?

22 MR. VASQUEZ: So we shouldn't be surprised to  
23 receive the audit. Should we be surprised by anything in  
24 the audit?

25 MS. THOMASON: Well, then it wouldn't be a

1 surprise.

2 MR. VASQUEZ: I don't like surprises.

3 MR. SCOTT: Okay. So you will get an audit on  
4 the Manufactured Housing audit that they did. Of course,  
5 they're a separate agency but we do their IT function so  
6 they audit that, and from what I understand, they had no  
7 issues with our IT stuff. I don't know what they're going  
8 to say about Manufactured Housing, though.

9 On the HR audit, what they'll do is they'll  
10 send an audit out and it will be of the whole state, the  
11 classification of IT positions. They may think there were  
12 certain positions statewide that were over-classified,  
13 like somebody who works at the help desk, if they're  
14 classified as a systems analyst, they probably think  
15 that's over-classification.

16 The audit on us, I think it will be fine.

17 MS. THOMASON: Any other questions?

18 (No response.)

19 MS. THOMASON: All right. Thank you, Mark.

20 If there are no other questions, then we will  
21 adjourn at 7:41. Thank you.

22 (Whereupon, at 7:41 a.m., the meeting was  
23 adjourned.)

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C E R T I F I C A T E

MEETING OF: Audit & Finance Committee of TDHCA Board

LOCATION: Austin, Texas

DATE: September 5, 2019

I do hereby certify that the foregoing pages, numbers 1 through 11, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas Department of Housing and Community Affairs.

DATE: September 11, 2019

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(Transcriber)

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