

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
AUDIT AND FINANCE COMMITTEE MEETING**

**AGENDA
8:00AM
December 12, 2019**

**Texas Capital Extension, E2.026
1100 Congress Ave
Austin, Texas 78701**

CALL TO ORDER

ROLL CALL

Sharon Thomason, Chair

CERTIFICATION OF QUORUM

The Audit and Finance Committee of the Governing Board of the Texas Department of Housing and Community Affairs (TDHCA) will meet to consider and may act on any of the following:

ACTION ITEMS:

ITEM 1: Presentation, discussion, and possible action to approve the Audit and Finance Committee Minutes Summary for September 5, 2019

Mark Scott
Director of Internal
Audit

ITEM 2: Presentation, discussion, and possible action to approve the Fiscal Year 2020 Internal Audit Work Plan

ITEM 3: Presentation, discussion, and possible action to accept the report on the Draft Computation of Housing Finance Division total and Unencumbered Fund Balances and Transfers to the Housing Trust Funds.

Ernie Palacios
Director of
Financial Administration

REPORT ITEMS:

ITEM 1: Presentation and discussion of the Internal Audit of Performance Measures at TDHCA

Mark Scott
Director of Internal
Audit

ITEM 2: Presentation and discussion of the Internal Audit of the Enforcement Committee at TDHCA

ITEM 3: Presentation and discussion of the Internal Audit Annual Report

ITEM 4: Report on the status of the External Audit activities

**PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED
AGENDA ITEMS**

EXECUTIVE SESSION

The Committee may go into Executive Session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Tex. Gov't Code, Chapter 551 and under Tex. Gov't Code, §2306.039.

Pursuant to Tex. Gov't Code, §551.074 the Audit Committee may go into Executive Session for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee.

Pursuant to Tex. Gov't Code, §551.071(1) the Committee may go into executive session to seek the advice of its attorney about pending or contemplated litigation or a settlement offer.

Pursuant to Tex. Gov't Code, §551.071(2) the Committee may go into executive session for the purpose of seeking the advice of its attorney about a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Tex. Gov't Code, Chapter 551.

Pursuant to Tex. Gov't Code, §2306.039(c) the Committee may go into executive session to receive reports from the Department's internal auditor, fraud prevention coordinator, or ethics advisor regarding issues related to fraud, waste, or abuse.

OPEN SESSION

If there is an Executive Session, the Committee will reconvene in Open Session and may take action on any items taken up in Executive Session. Except as specifically authorized by applicable law, the Audit Committee may not take any actions in Executive Session.

ADJOURN

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact Mark Scott, TDHCA Internal Audit Director, 221 East 11th Street Austin, Texas 78701-2410, 512-475-3813 and request the information.

Individuals who require auxiliary aids, services or sign language interpreters for this meeting should contact Terri Roeber, ADA Responsible Employee, at 512-475-3959 or Relay Texas at 1-800-735-2989, at least five days before the meeting so that appropriate arrangements can be made.

Non-English speaking individuals who require interpreters for this meeting should contact Elena Peinado, 512-475-3814, at least five days before the meeting so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Elena Peinado, al siguiente número 512-475-3814 por lo menos cinco días antes de la junta para hacer los preparativos apropiados.

NOTICE AS TO HANDGUN PROHIBITION DURING THE OPEN MEETING OF A GOVERNMENTAL ENTITY IN THIS ROOM ON THIS DATE:

Pursuant to Section 30.06, Penal Code (trespass by license holder with a concealed handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a concealed handgun.

De acuerdo con la sección 30.06 del código penal (ingreso sin autorización de un titular de una licencia con una pistola oculta), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola oculta.

Pursuant to Section 30.07, Penal Code (trespass by license holder with an openly carried handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a handgun that is carried openly.

De acuerdo con la sección 30.07 del código penal (ingreso sin autorización de un titular de una licencia con una pistola a la vista), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola a la vista.

NONE OF THESE RESTRICTIONS EXTEND BEYOND THIS ROOM ON THIS DATE AND DURING THE MEETING OF THE AUDIT COMMITTEE OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS.

Action Item

1

AUDIT AND FINANCE COMMITTEE ACTION REQUEST

INTERNAL AUDIT DIVISION

December 12, 2019

Presentation, discussion and possible action on Audit and Finance Committee Meeting Minutes Summary for September 5, 2019

RECOMMENDED ACTION

RESOLVED, that the Audit and Finance Committee Meeting Minutes Summary for September 5, 2019 are hereby approved as presented.

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

On Thursday, September 5, 2019, at 7:30 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 John H. Reagan Building, Room JHR 140, 105 W. 15th Street, Austin, Texas. Sharon Thomason presided over the meeting, and Mark Scott served as secretary. Committee members Paul A. Braden, Leo Vasquez, and Asusena Resendiz were in attendance and represented a quorum for the committee meeting.

The only action item on the agenda was approval of the minutes of the June 27, 2019 meeting of the Committee. Minutes were adopted as presented, and were approved.

With no other action items on the agenda Ms. Thomason moved to the first report item; Presentation and discussion of the Internal audit of Complaint Resolution Processes at TDHCA. Mr. Scott presented the report. He stated that the Complaint Resolution process scored high on the annual risk assessment because it is an important interface with the public. The audit included review of a scientific sample of complaints that were mostly found to be compliant with the selected attributes. The report also included some minor recommendations for improvements which were agreed to by the management. With no questions from the Committee members Ms. Thomason moved to the second report item; Presentation and discussion of Internal Audit review of the implementation status of the prior audit findings and recommendations. The report was presented by Mr. Scott.

Mr. Scott stated that this report is an annual report on the status of prior audit findings, and in compliance with the Internal Auditing Standards (Practice Advisories 2500-2600). As noted in this report, most of the recommendations have been implemented. Office of Internal Audit (OIA) also tracks external audit and monitoring findings. There was a KPMG finding related to LIHEAP that has been closed by KPMG. The finding was related to the tracking data at the household level for beneficiaries of the program. A new household database system is scheduled to be in testing this month, and it will be available to the sub-recipients in January.

The remaining open findings are related to sub-recipient questioned costs which were noted in two HHS reviews conducted in 2018. Mr. Scott then offered to answer any questions that the Committee members may have. With no questions Ms. Thomason moved to the third report item on the agenda; Presentation and discussion of Internal Audit follow up visits of the Migrant Labor Housing facilities.

Mr. Scott started his presentation of the report by pointing out that there's a difference between a follow-up on audit findings, which was the previous report presented and entails obtaining management assertion and some spot checking by auditor, and this follow-up audit. This follow up review was requested when the original report was presented in March 2019.

For this follow up the internal audit visited five licensed facilities. Three of these facilities were located around Lubbock area, one located south of San Antonio, and one around Austin. We were told by one of the facility operators around Lubbock area that a representative from TWC visits the fields from time to time and that they've implemented all the requirements of OSHA for sanitations.

The facilities located in south of San Antonio and Austin area house H2A visa holders. We were told by one of the facility operators that due to the extreme heat this summer, they've been sending farm workers home at around 3:00pm to avoid heat exhaustion.

Mr. Scott also mentioned that OIA is in the process of conducting a risk assessment for the FY 2020 annual audit plan which will include a request for input from management and Committee members. Based on the feedback and the risk assessment we'll see how Migrant Labor Housing program will rank for next year, and if the Audit and Finance Committee would like us to do another round of follow ups, I'll be happy to do so.

The last report item on the agenda was the report on the status of the external audit activities, and was presented by Mr. Scott. He said that the State Auditor's Office (SAO) is conducting an audit along with contracted audit firm CLA (Clifton Larson Allen). The SAO has completed an audit of the Manufactured Housing Division which is administratively attached to TDHCA. Therefore SAO had TDHCA sign an engagement letter since TDHCA provides IT services to them. The anticipated completion date is sometime this month, and they may send the audit report to TDHCA Board members.

SAO is also conducting the annual audit of the financial statements and the audit of the bond activities. Along with the financial audit, the SAO's contractor (CLA) is conducting federal compliance work on LIHEAP and CSBG. In addition, they're conducting an audit of how IT positions are classified. At the conclusion Mr. Scott offered to answer questions for the Committee members.

The meeting was adjourned at 7:41am

Action Item

2

AUDIT AND FINANCE COMMITTEE ACTION REQUEST

INTERNAL AUDIT DIVISION

December 12, 2019

Presentation, discussion and possible action on approval of the Fiscal Year 2020 Internal Audit Work plan.

RECOMMENDED ACTION

WHEREAS, the Tex. Gov't Code §2306.073 (b), the Internal auditing Act and audit standards require the department's Governing Board to approve an annual audit work plan that outlines the internal audit projects planned for the fiscal year; and

WHEREAS, Staff has presented a Fiscal Year 2020 Internal Audit Work Plan that is acceptable to the Audit and Finance Committee; and

NOW, therefore, it is hereby

RESOLVED, the internal audit work plan for Fiscal Year 2020 is approved as presented

Background

The annual internal audit work plan is required by the Tex. Gov't Code §2306.073 (b), the Texas Internal Auditing Act (Tex. Gov't Code Chapter 2102) and by the International Standards for the Professional Practice of Internal Auditing (Standards). The plan is prepared by the internal auditor based on an agency-wide risk assessment as well as input from the Department's Governing Board and executive management. The plan identifies the individual audits to be conducted during Fiscal Year 2020. The plan also outlines other planned activities that will be performed by the Internal Audit Division.



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Greg Abbott
GOVERNOR

BOARD MEMBERS

J.B. Goodwin, *Chair*
Leslie Bingham-Escareño, *Vice Chair*
Paul A. Braden, *Member*
Asusena Reséndiz, *Member*
Sharon Thomason, *Member*
Leo Vasquez, *Member*

**Texas Department of Housing and Community Affairs
Office of Internal Audit
Audit Plan for Fiscal Year 2020**

Statutory and Professional Standards Requirement

The Texas Internal Auditing Act (Texas Government Code, §2102.005) requires state agencies to conduct a program of internal auditing. The *International Standards for the Professional Practice of Internal Auditing (IA Standards)* define Internal Auditing as an "independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

The Texas Government Code and the *IA Standards* require internal auditors to develop an annual audit plan, using risk assessment techniques, that identifies individual audits to be conducted during the year. The Code requires that the plan be approved by the state agency's governing board or by its administrator, if the agency has no governing board.

The program of internal auditing is carried out by the Office of Internal Audit (OIA) which serves at the direction of the Governing Board. The OIA has prepared this audit plan for consideration and approval by the Governing Board.

Development of the Annual Audit Plan

The Fiscal Year 2020 plan is designed to cover areas of highest risk to the State and the agency; however, it does not cover all risks. TDHCA management should utilize internal controls and other appropriate methodologies to mitigate residual risks not covered by the audit plan.

The annual audit plan was developed using a risk based methodology which included:



- Obtaining management's and the Governing Board's perspectives through surveys and discussions.
- Consulting with the State Auditor's Office and other oversight bodies.
- Reviewing prior TDHCA meeting minutes, audit report findings and recommendations, and budgetary information.
- Evaluating information about key agency business areas, processes, and systems.
- Considering input from internal audit staff.
- Utilizing a matrix whereby identified auditable units were ranked according to standard risk factors.

The budgeted hours for all projects are based on two staff auditors and the Director of Internal Audit.

Projects for Fiscal Year 2020 Annual Audit Plan

We have identified the following projects for inclusion in the 2020 Annual Audit Plan based on our annual risk assessment of the auditable units. The project numbers are for identification purposes and may not correspond to the order in which the projects are performed. Also included below is a brief description of functions to be reviewed.

New Audit Projects:

1. Purchasing

Purchasing division is tasked with ensuring attainment of the best value for the Department in the acquisition of goods and services according to state rules and regulations. The division administers the requirements of Historically Underutilized Businesses (HUB) opportunities related to TDHCA procurements, and encourages and assists potential HUB vendors to be certified through the State Comptroller of Public Accounts, State Procurement Division (SPD).

The purchasing division undergoes biennial "post payment" audits by the Comptroller's Office. No internal audits or SAO audits have been conducted recently. The Director of Purchasing has recently retired. The Purchasing division rated high on the risk assessment due to lack of recent audits and change of management.

2. Section 8

The Housing Choice Voucher, Section 8, Program provides rental assistance payments on behalf of low income individuals and families, including the elderly and person with disabilities. The program provides financial assistance for decent, safe and sanitary housing to eligible households whose annual gross income does not exceed 50% of the Department Housing and Urban Development's (HUD) median income guidelines. TDHCA is one of several public housing authorities that run Housing Choice Voucher Section 8 programs across Texas.

This program has a large number of transactions. Various programmatic reviews have been conducted by HUD; however no audits of the program have been conducted in recent years. The



Section 8 program rated high on the risk assessment due to its susceptibility to fraud and lack of recent audits.

3. Physical Inspection

The Physical Inspection section of Compliance division performs and administers inspections for developments monitored by the Department throughout the compliance period. The section ensures developments are habitable, well maintained, ready for occupancy, follow appropriate accessibility standards, and comply with applicable program rules and regulations. The section also administers inspections performed by the Department's contracted inspection firms.

This function has not been audited at TDHCA; although a similar function at Manufactured Housing Division recently underwent an extensive SAO audit.

4. Section 811 PRA

The Section 811 Project Rental Assistance (PRA) program provides project-based rental assistance for extremely low-income persons with disabilities linked with long term services. The program is made possible through a partnership between TDHCA, The Texas Health and Human Services Commission (HHSC) and eligible multifamily properties. This program creates the opportunity for persons with disabilities, to live as independently as possible through the coordination of voluntary services and providing a choice of subsidized, integrated rental housing options. The program started in 2015, and no audits have been conducted of the program.

The Section 811 PRA program rated high on the risk assessment due to its suitability to fraud and lack of recent audits and change of management

5. Continuity of Operations Plan (COOP)

State agencies are required to have a COOP, by the Texas Administrative Code:

Rule §558.256, An agency must have a written emergency preparedness and response plan that comprehensively describes its approach to a disaster that could affect the need for its services or its ability to provide those services. The written plan must be based on a risk assessment that identifies the disaster from natural and man-made causes that are likely to occur in the agency's service area.

COOP was rated high on the risk assessment due its complexity and legislative interests.

Carry Over Project:

Multifamily Revenue Bond

TDHCA is a conduit issuer for the State of Texas with authority to issue tax-exempt and taxable Multifamily Mortgage Revenue Bonds statewide. The bonds are used to fund loans to for-profit and

nonprofit developers for the acquisition and rehabilitation or new construction of affordable rental developments. The Multifamily Bond Program is coupled with the Non-competitive (4%) Housing Tax Credit program when the bonds finance is at least 50% of the cost of the land and buildings in the Development.

The Multifamily Revenue Bond program rated high on the risk assessment due to its level of complexity of transactions and processes, in addition to interest expressed by Committee members.

Administrative and Statutory Projects:

- Review of TDHCA compliance with appropriation riders and other requirements of the Government Code
- Annual Audit Plan and reporting
- Annual tracking of the implementation status of prior audit recommendations
- Coordination and review of complaints related to possible Fraud, Waste, and Abuse

Consulting Projects and External Audit Coordination

Pursuant to the TDHCA internal audit charter, the OIA performs consulting activities for the agency. For fiscal year 2020, OIA is providing consulting services related to the new Grant Guidance in 2 CFR 200, as well as subrecipient monitoring.

OIA also coordinates and advises on external audit activities.

Sincerely,



Mark Scott, CPA, CIA, CISA, CFE, MBA
Internal Audit Director

MS/NS



Action Item

3

AUDIT AND FINANCE COMMITTEE ACTION ITEM
FINANCIAL ADMINISTRATION DIVISION
DECEMBER 12, 2019

Presentation, discussion, and possible action to accept the report on the Draft Computation of Housing Finance Division Total and Unencumbered Fund Balances and Transfers to the State of Texas Housing Trust Fund

WHEREAS, Tex. Gov't Code §2306.204 requires an independent audit of the Department's Housing Trust Fund to determine the amount of unencumbered fund balances that are greater than the amount required for the reserve fund and the report to be submitted to the board by December 31st of each year;

WHEREAS, Housing Finance Division unencumbered funds are the funds associated with any and all of the Department's housing finance activity that are not subject to any restriction precluding their immediate transfer to the housing trust fund. Such restrictions include: being subject to a state or federal law or other applicable legal requirement such as the General Appropriations Act, being held in trust subject to the terms of a bond indenture, or having been designated by the Department's Governing Board for a specific use or contingency;

WHEREAS, Tex. Gov't Code §2306.205 provides a formula for determining the amount of unencumbered fund balances and the amounts, if any, to transfer to the Housing Trust Fund before January 10th; and

WHEREAS, Staff has drafted a process for determining the three year-end values total and non highest rated bond indebtedness, the amount of unencumbered fund balances and the amounts, if any, to transfer to the State of Texas Housing Trust Fund;

NOW, therefore, it is hereby

RESOLVED, that the Draft Computation of Unencumbered Fund Balances Report as of August 31, 2019, is presented to this meeting and the Board and the Executive Director accepts this report in satisfaction of the requirements of Tex. Gov't Code §§2306.204 and 2306.205 with its final approval determined by the year-end audit performed by the State Auditor's Office.

BACKGROUND

Pursuant to Tex. Gov't Code §§2306.204 and 2306.205, the Department is required to transfer to the State of Texas Housing Trust Fund annually a portion of the unencumbered funds, if any, meeting certain

threshold and criteria. This statute also requires the Department to undergo an annual audit of its unencumbered fund balances and to transfer excess funds to the State of Texas Housing Trust Fund based on a calculation set forth in the statute. Using the methodology outlined in the statute, Department staff developed a Standard Operating Procedure (#1210.05) to calculate statutorily required transfers to the State of Texas Housing Trust Fund.

The Draft Computation of Unencumbered Fund Balances Report as of August 31 (Exhibit A) reflects funds held by the Department deemed to be unencumbered of \$150,172; the Calculation of Bonded Indebtedness Report (Exhibit B) only includes bonds and notes outstanding not rated in the highest long-term debt rating category to calculate the 2% threshold of \$13,539,502; and the List of Bond Ratings (Exhibit C) from rating agencies. Since the unencumbered balance is less than the 2% threshold it does not meet the first threshold in Tex. Gov't Code §2306.205(a) for any transfer to the State of Texas Housing Trust Fund.

In conclusion, the Draft Computation of Unencumbered Fund Balances Report as of August 31, 2019, yielded a zero transfer to the State of Texas Housing Trust Fund. Again, this report is included for review in the year-end financial audit performed by the State Auditor's Office and is, therefore, subject to revision based on such audit.

EXHIBIT B

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Calculation of Bonded Indebtedness as of August 31, 2019
 Pursuant to Texas Government Code Section 2306.205

	Highest Bond Rating	Bonds/Notes Outstanding (Par)	Bonded Indebtedness Not Rated in the Highest Category
Single-family	Aaa	\$ 611,923,691	\$ 15,855,000
RMRB	Aaa	262,625,000	10,000,000
Multifamily	Various	937,790,794	651,120,096
		<u>\$ 1,812,339,485</u>	<u>\$ 676,975,096</u>

Section 2306.205(a)	
2% of bonded indebtedness	\$ 13,539,502
Unencumbered Fund Balance (UFB) per Calculation	\$ 150,000
Does UFB exceed 2% of bonded indebtedness?	No
If UFB exceeds 2% of bonded indebtedness:	
What amount exceeds 2% of bonded indebtedness?	\$ -
Half of UFB in excess of 2% of bonded indebtedness (Transfer to HTF)	\$ -

Section 2306.205(c)	
4% of bonded indebtedness	\$ 27,079,004
Unencumbered Fund Balance (UFB) per Calculation	\$ 150,000
Does UFB exceed 4% of bonded indebtedness?	No
If UFB exceeds 4% of bonded indebtedness:	
What amount exceeds 4% of bonded indebtedness?	\$ -
All of UFB in excess of 4% of bonded indebtedness (Transfer to HTF)	\$ -

EXHIBIT C

Single Family Indenture				Rating Agencies			
Series	CUSIP	Maturity Date	Interest Rate	8/31/2019	Moody's	Standard & Poor's	Fitch
				Ending Bonds Outstanding	rtg moody	rtg sp	rtg fitch
2004A JL	88275FNM7	9/1/2036	VAR	\$ 3,855,000.00	Aa2/VMIG1	AA+/A-1+	#N/A N/A
2004B	88275FNN5	9/1/2034	VAR	\$ 19,910,000.00	Aaa/VMIG1	AA+/A-1+	#N/A N/A
2004D	88275FNP0	3/1/2035	VAR	\$ 13,290,000.00	Aaa/VMIG1	AA+/A-1+	#N/A N/A
2005A	88275FNQ8	9/1/2036	VAR	\$ 19,095,000.00	Aaa/VMIG1	AA+/A-1+	#N/A N/A
2007A	88275FMF3	9/1/2038	VAR	\$ 20,155,000.00	Aaa/VMIG1	AA+/A-1+	#N/A N/A
2013A	88275FNT2	3/1/2036	2.800%	\$ 14,360,000.00	Aaa	AA+	#N/A N/A
2015A	88275FNU9	9/1/2039	3.200%	\$ 18,880,000.00	Aaa	AA+	#N/A N/A
2015B	88275FNV7	3/1/2046	3.125%	\$ 13,215,000.00	Aaa	AA+	#N/A N/A
2016A	88275FNW5	3/1/2046	3.000%	\$ 21,835,000.00	Aaa	AA+	#N/A N/A
2016B	88275FNX3	3/1/2039	3.180%	\$ 31,185,000.00	Aaa	AA+	#N/A N/A
2017A	88275FNY1	9/1/2047	2.835%	\$ 56,189,437.00	Aaa	AA+	#N/A N/A
2017B	88275FNZ8	9/1/2038	2.750%	\$ 20,295,958.00	Aaa	AA+	#N/A N/A
2017C	88275FPA1	9/1/2047	3.100%	\$ 39,103,296.00	Aaa	AA+	#N/A N/A
2018A	88275FPB9	9/1/2019	1.650%	\$ 900,000.00	Aaa	AA+	#N/A N/A
	88275FPC7	3/1/2020	1.800%	\$ 905,000.00	Aaa	AA+	#N/A N/A
	88275FPD5	9/1/2020	1.900%	\$ 920,000.00	Aaa	AA+	#N/A N/A
	88275FPE3	3/1/2021	1.950%	\$ 930,000.00	Aaa	AA+	#N/A N/A
	88275FPF0	9/1/2021	2.000%	\$ 940,000.00	Aaa	AA+	#N/A N/A
	88275FPG8	3/1/2022	2.100%	\$ 955,000.00	Aaa	AA+	#N/A N/A
	88275FPH6	9/1/2022	2.200%	\$ 965,000.00	Aaa	AA+	#N/A N/A
	88275FPJ2	3/1/2023	2.250%	\$ 985,000.00	Aaa	AA+	#N/A N/A
	88275FPK9	9/1/2023	2.300%	\$ 1,005,000.00	Aaa	AA+	#N/A N/A
	88275FPL7	3/1/2024	2.450%	\$ 1,015,000.00	Aaa	AA+	#N/A N/A
	88275FPM5	9/1/2024	2.500%	\$ 1,030,000.00	Aaa	AA+	#N/A N/A
	88275FPN3	3/1/2025	2.600%	\$ 1,035,000.00	Aaa	AA+	#N/A N/A
	88275FPP8	9/1/2025	2.650%	\$ 1,055,000.00	Aaa	AA+	#N/A N/A
	88275FPQ6	3/1/2026	2.800%	\$ 1,070,000.00	Aaa	AA+	#N/A N/A
	88275FPR4	9/1/2026	2.850%	\$ 1,095,000.00	Aaa	AA+	#N/A N/A
	88275FPS2	3/1/2027	2.950%	\$ 1,115,000.00	Aaa	AA+	#N/A N/A
	88275FPT0	9/1/2027	3.000%	\$ 1,130,000.00	Aaa	AA+	#N/A N/A
	88275FPU7	3/1/2028	3.050%	\$ 1,150,000.00	Aaa	AA+	#N/A N/A
	88275FPV5	9/1/2028	3.100%	\$ 1,175,000.00	Aaa	AA+	#N/A N/A
	88275FPW3	3/1/2029	3.150%	\$ 1,190,000.00	Aaa	AA+	#N/A N/A
88275FPX1	9/1/2029	3.200%	\$ 1,210,000.00	Aaa	AA+	#N/A N/A	
88275FPY9	9/1/2033	3.350%	\$ 10,610,000.00	Aaa	AA+	#N/A N/A	
88275FPZ6	9/1/2038	4.125%	\$ 16,090,000.00	Aaa	AA+	#N/A N/A	
88275FQA0	9/1/2043	4.250%	\$ 20,110,000.00	Aaa	AA+	#N/A N/A	
88275FQB8	9/1/2048	4.250%	\$ 25,345,000.00	Aaa	AA+	#N/A N/A	
88275FQC6	3/1/2049	4.750%	\$ 49,300,000.00	Aaa	AA+	#N/A N/A	
2019A	88275FQD4	9/1/2020	1.250%	\$ 1,000,000.00	Aaa	AA+	#N/A N/A
	88275FQF9	3/1/2022	1.450%	\$ 975,000.00	Aaa	AA+	#N/A N/A
	88275FQG7	9/1/2022	1.500%	\$ 985,000.00	Aaa	AA+	#N/A N/A
	88275FQH5	3/1/2023	1.550%	\$ 995,000.00	Aaa	AA+	#N/A N/A
	88275FQJ1	9/1/2023	1.600%	\$ 1,005,000.00	Aaa	AA+	#N/A N/A
	88275FQK8	3/1/2024	1.600%	\$ 1,015,000.00	Aaa	AA+	#N/A N/A
	88275FQL6	9/1/2024	1.650%	\$ 1,025,000.00	Aaa	AA+	#N/A N/A
	88275FQM4	3/1/2025	1.700%	\$ 1,040,000.00	Aaa	AA+	#N/A N/A
	88275FQN2	9/1/2025	1.750%	\$ 1,055,000.00	Aaa	AA+	#N/A N/A
	88275FQP7	3/1/2026	1.850%	\$ 1,065,000.00	Aaa	AA+	#N/A N/A
	88275FQQ5	9/1/2026	1.950%	\$ 1,070,000.00	Aaa	AA+	#N/A N/A
	88275FQR3	3/1/2027	2.000%	\$ 1,080,000.00	Aaa	AA+	#N/A N/A
	88275FQS1	9/1/2027	2.050%	\$ 1,085,000.00	Aaa	AA+	#N/A N/A

	88275FQT9	3/1/2028	2.150%	\$	1,095,000.00	Aaa	AA+	#N/A N/A
	88275FQU6	9/1/2028	2.200%	\$	1,115,000.00	Aaa	AA+	#N/A N/A
	88275FQV4	3/1/2029	2.250%	\$	1,135,000.00	Aaa	AA+	#N/A N/A
	88275FQW2	9/1/2029	2.300%	\$	1,150,000.00	Aaa	AA+	#N/A N/A
	88275FQX0	3/1/2030	2.350%	\$	1,170,000.00	Aaa	AA+	#N/A N/A
	88275FQY8	9/1/2030	2.400%	\$	1,185,000.00	Aaa	AA+	#N/A N/A
	88275FQE2	9/1/2021	1.400%	\$	1,795,000.00	Aaa	AA+	#N/A N/A
	88275FQZ5	9/1/2034	2.700%	\$	10,285,000.00	Aaa	AA+	#N/A N/A
	88275FRA9	9/1/2039	3.375%	\$	15,165,000.00	Aaa	AA+	#N/A N/A
	88275FRB7	9/1/2044	3.625%	\$	18,570,000.00	Aaa	AA+	#N/A N/A
	88275FRC5	9/1/2049	3.750%	\$	26,530,000.00	Aaa	AA+	#N/A N/A
	88275FRD3	3/1/2050	4.000%	\$	72,735,000.00	Aaa	AA+	#N/A N/A
	Total Bonds Outstanding				\$	599,923,691.00		
2018 Issuer Note	N/A	8/8/2025	3.500%	\$	12,000,000.00	#N/A N/A	#N/A N/A	#N/A N/A
	Bonds/Notes Rated in the Highest Category (Aaa OR AAA)				\$	596,068,691.00		
	Bonds/Notes NOT Rated in the Highest Category (Aaa OR AAA)				\$	15,855,000.00		

RMRB Indenture				Rating Agencies			
				8/31/2019	Moody's	Standard & Poor's	Fitch
Series	CUSIP	Maturity Date	Interest Rate	Ending Bonds Outstanding	rtg moody	rtg sp	rtg fitch
2009C-1	882750NE8	7/1/2041	2.875%	\$ 28,685,000.00	Aaa	AA+	#N/A N/A
2011A	882750LS9	1/1/2020	4.125%	\$ 625,000.00	Aaa	AA+	#N/A N/A
	882750LT7	7/1/2020	4.125%	\$ 645,000.00	Aaa	AA+	#N/A N/A
	882750LU4	1/1/2021	4.375%	\$ 650,000.00	Aaa	AA+	#N/A N/A
	882750LV2	7/1/2021	4.375%	\$ 655,000.00	Aaa	AA+	#N/A N/A
	882750LW0	1/1/2022	4.550%	\$ 670,000.00	Aaa	AA+	#N/A N/A
	882750LX8	7/1/2022	4.550%	\$ 675,000.00	Aaa	AA+	#N/A N/A
	882750LY6	7/1/2026	5.050%	\$ 6,130,000.00	Aaa	AA+	#N/A N/A
	882750LZ3	7/1/2029	5.000%	\$ 1,830,000.00	Aaa	AA+	#N/A N/A
				\$ 11,880,000.00			
2009C-2	882750NB4	7/1/2041	2.480%	\$ 22,380,000.00	Aaa	AA+	#N/A N/A
2011B	882750MS8	1/1/2020	3.100%	\$ 780,000.00	Aaa	AA+	#N/A N/A
	882750MT6	7/1/2020	3.100%	\$ 780,000.00	Aaa	AA+	#N/A N/A
	882750MU3	1/1/2021	3.300%	\$ 780,000.00	Aaa	AA+	#N/A N/A
	882750MV1	7/1/2021	3.300%	\$ 795,000.00	Aaa	AA+	#N/A N/A
	882750MW9	1/1/2022	3.500%	\$ 820,000.00	Aaa	AA+	#N/A N/A
	882750MX7	7/1/2022	3.500%	\$ 830,000.00	Aaa	AA+	#N/A N/A
	882750MY5	1/1/2026	4.050%	\$ 7,570,000.00	Aaa	AA+	#N/A N/A
	882750MZ2	1/1/2030	4.450%	\$ 7,055,000.00	Aaa	AA+	#N/A N/A
882750NA6	1/1/2034	4.250%	\$ 3,990,000.00	Aaa	AA+	#N/A N/A	
				\$ 23,400,000.00			
2019A	882750NW8	1/1/2021	1.850%	\$ 885,000.00	Aaa	AA+	#N/A N/A
	882750NX6	1/1/2022	1.950%	\$ 920,000.00	Aaa	AA+	#N/A N/A
	882750NY4	1/1/2023	2.050%	\$ 960,000.00	Aaa	AA+	#N/A N/A
	882750NZ1	1/1/2024	2.200%	\$ 1,000,000.00	Aaa	AA+	#N/A N/A
	882750PA4	1/1/2025	2.350%	\$ 1,045,000.00	Aaa	AA+	#N/A N/A
	882750PB2	1/1/2026	2.500%	\$ 1,095,000.00	Aaa	AA+	#N/A N/A
	882750PC0	1/1/2027	2.650%	\$ 1,140,000.00	Aaa	AA+	#N/A N/A
	882750PD8	1/1/2028	2.750%	\$ 1,190,000.00	Aaa	AA+	#N/A N/A
	882750PE6	1/1/2029	2.900%	\$ 1,245,000.00	Aaa	AA+	#N/A N/A
	882750PF3	1/1/2030	3.000%	\$ 1,310,000.00	Aaa	AA+	#N/A N/A
	882750NF5	7/1/2020	5.000%	\$ 860,000.00	Aaa	AA+	#N/A N/A
	882750NG3	7/1/2021	5.000%	\$ 900,000.00	Aaa	AA+	#N/A N/A
	882750NH1	7/1/2022	5.000%	\$ 935,000.00	Aaa	AA+	#N/A N/A
	882750NJ7	7/1/2023	5.000%	\$ 975,000.00	Aaa	AA+	#N/A N/A
	882750NK4	7/1/2024	5.000%	\$ 1,015,000.00	Aaa	AA+	#N/A N/A
	882750NL2	7/1/2025	5.000%	\$ 1,060,000.00	Aaa	AA+	#N/A N/A
	882750NM0	7/1/2026	5.000%	\$ 1,105,000.00	Aaa	AA+	#N/A N/A
	882750NN8	7/1/2027	5.000%	\$ 1,155,000.00	Aaa	AA+	#N/A N/A
	882750NP3	7/1/2028	5.000%	\$ 1,210,000.00	Aaa	AA+	#N/A N/A
	882750NQ1	7/1/2029	5.000%	\$ 1,270,000.00	Aaa	AA+	#N/A N/A
	882750NR9	7/1/2030	5.000%	\$ 1,330,000.00	Aaa	AA+	#N/A N/A
	882750NS7	1/1/2031	5.000%	\$ 1,370,000.00	Aaa	AA+	#N/A N/A
	882750NT5	7/1/2031	5.000%	\$ 1,405,000.00	Aaa	AA+	#N/A N/A
	882750NU2	1/1/2032	5.000%	\$ 1,440,000.00	Aaa	AA+	#N/A N/A
882750NV0	7/1/2032	5.000%	\$ 1,480,000.00	Aaa	AA+	#N/A N/A	
882750PG1	7/1/2034	3.500%	\$ 6,340,000.00	Aaa	AA+	#N/A N/A	
882750PH9	7/1/2039	3.800%	\$ 18,730,000.00	Aaa	AA+	#N/A N/A	
882750PJ5	7/1/2044	3.900%	\$ 23,310,000.00	Aaa	AA+	#N/A N/A	
882750PK2	1/1/2049	4.750%	\$ 57,360,000.00	Aaa	AA+	#N/A N/A	
882750PL0	1/1/2050	3.950%	\$ 32,240,000.00	Aaa	AA+	#N/A N/A	
				\$ 166,280,000.00			
Total Bonds Outstanding				\$ 252,625,000.00			
2016 Issuer Note	N/A	9/28/2026	1.000%	\$ 10,000,000.00	#N/A N/A	#N/A N/A	#N/A N/A
Bonds/Notes Rated in the Highest Category (Aaa OR AAA)				\$ 252,625,000.00			
Bonds/Notes NOT Rated in the Highest Category (Aaa OR AAA)				\$ 10,000,000.00			

Multifamily				8/31/2019	Rating Agencies		
MF Bond Issue	CUSIP	MF Program#	Private or Public	Ending Bonds Outstanding	Moody's	Standard & Poor's	Fitch
					rtg moody	rtg sp	rtg fitch
1996 A MF Refunding (Brighton's Mark Development)	88275BBK3	0065	Private Place	\$ 8,075,000.00	#N/A N/A	NR	#N/A N/A
1998 A MF (Residence at the Oaks Project)	88275BD3	0090	Private Place	\$ 2,906,000.00	#N/A N/A	NR	#N/A N/A
1998 B MF (Residence at the Oaks Project)	88275BDB1	0090	Private Place	\$ 1,552,000.00	#N/A N/A	NR	#N/A N/A
1998 C MF (Residence at the Oaks Project)	88275BDB1	0090	Private Place	\$ 51,000.00	#N/A N/A	NR	#N/A N/A
2000 MF (Timber Point Apartments)	88275BDS4	0095	Public Offer	\$ 5,570,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2000 MF (Creek Point Apartments)	88275BER5	0098	Public Offer	\$ 4,760,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2000 A MF (Highland Meadow Village Apartments)	88275BEW4	0101	Private Place	\$ 6,363,000.00	#N/A N/A	#N/A N/A	#N/A N/A
2000 A MF (Collingham Park Apartments)	88275BEZ7	0103	Private Place	\$ 7,725,000.00	#N/A Invalid Security	#N/A Invalid Security	#N/A Invalid Security
2000 B MF (Collingham Park Apartments)	88275BFA1	0103	Private Place	\$ 1,737,000.00	#N/A Invalid Security	#N/A Invalid Security	#N/A Invalid Security
2001 A MF (Skyway Villas Apartments)	88275BFN3	0108	Public Offer	\$ 4,485,000.00	WR	NR	WD
2001 B MF (Skyway Villas Apartments)	88275BFO6	0108	Private Place	\$ 1,150,000.00	WR	#N/A N/A	#N/A N/A
2001 A-1 MF (Meridian Apartments)	88275ACG3	0111	Public Offer	\$ 7,134,000.00	#N/A N/A	#N/A N/A	#N/A N/A
2001 B MF (Meridian Apartments)	88275ACH1	0111	Private Place	\$ 391,000.00	#N/A N/A	#N/A N/A	#N/A N/A
2001 A-1 MF (Wildwood Apartments)	88275ACJ7	0112	Public Offer	\$ 5,791,000.00	#N/A N/A	#N/A N/A	#N/A N/A
2003 A MF Refunding (Reading Road)	88275BJJ8	0125	Public Offer	\$ 7,750,000.00	#N/A N/A	AA+/A-1+	#N/A N/A
2003 B MF Refunding (Reading Road)	88275BIK5	0125	Private Place	\$ 1,530,000.00	#N/A N/A	#N/A N/A	#N/A N/A
2003 A MF (West Virginia Apartments)	88275BHT8	0127	Public Offer	\$ 5,655,000.00	WR	NR	WD
2003 A MF (West Virginia Apartments)	88275BHU5	0127	Public Offer	\$ 1,415,000.00	WR	NR	WD
2003 A MF (Primrose Houston School Apartments)	88275BJB5	0129	Private Place	\$ 15,000,000.00	#N/A N/A	#N/A N/A	#N/A N/A
2003 B MF (Primrose Houston School Apartments)	88275BJC3	0129	Private Place	\$ 16,720.00	#N/A Invalid Security	#N/A Invalid Security	#N/A Invalid Security
2003 A MF (Ash Creek Apartments)	88275BJS8	0131	Private Place	\$ 14,732,562.00	#N/A N/A	#N/A N/A	#N/A N/A
2003 A MF (Peninsula Apartments)	88275BJU3	0132	Public Offer	\$ 9,415,000.00	#N/A N/A	AA+	#N/A N/A
2003 A MF (Arlington Villas Apartments)	88275BJX7	0134	Public Offer	\$ 15,000,000.00	WR/WR	#N/A N/A	#N/A N/A
2003 B MF (Arlington Villas Apartments)	88275BJY5	0134	Public Offer	\$ 614,023.00	WR/WR	#N/A N/A	#N/A N/A
2004 A MF (Timber Ridge II Apartments)	88275BJZ2	0137	Private Place	\$ 6,049,333.00	#N/A N/A	#N/A N/A	#N/A N/A
2004 MF (Providence at Rush Creek II)	88275BKHO	0141	Private Place	\$ 7,950,092.97	#N/A N/A	NR	#N/A N/A
2004 MF (Humble Parkway Townhomes)	88275BKJ6	0142	Public Offer	\$ 9,865,000.00	#N/A N/A	#N/A N/A	#N/A N/A
2004 MF (Chisholm Trail Apartments)	88275BKR8	0143	Public Offer	\$ 9,500,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2004 MF (Evergreen at Plano Parkway)	88275BKX5	0144	Private Place	\$ 13,333,278.63	#N/A N/A	#N/A N/A	#N/A N/A
2004 MF (Montgomery Pines Apartments)	88275BKU1	0145	Public Offer	\$ 10,100,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2004 MF (Bristol Apartments)	88275BK14	0146	Public Offer	\$ 10,800,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2004 MF (Pinnacle Apartments)	88275BKV9	0147	Public Offer	\$ 12,465,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2004 MF (Churchill at Pinnacle Park)	88275BK20	0150	Private Place	\$ 8,911,214.84	#N/A N/A	#N/A N/A	#N/A N/A
2005 MF (Port Royal Homes)	None	0155	Private Place	\$ 10,968,521.90	Charter Mac Equity Issuer Trust		
2005 MF (Mission Del Rio Homes)	88275BLK2	0156	Private Place	\$ 8,629,126.29	#N/A Invalid Security	#N/A Invalid Security	#N/A Invalid Security
2005 MF (Atascocita Pines Apartments)	88275BLV8	0157	Public Offer	\$ 10,190,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2005 MF (Tower Ridge Apartments)	88275BLX4	0158	Public Offer	\$ 15,000,000.00	#N/A N/A	AA+/A-1+	#N/A N/A
2005 MF (St. Augustine Estate Apartments)	88275BME5	0162	Public Offer	\$ 5,480,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2005 MF (Providence Mockingbird Apartments)	None	0164	Private Place	\$ 10,349,836.94	Charter Mac Equity Issuer Trust		
2005 MF (Plaza at Chase Oaks Apartments)	None	0165	Private Place	\$ 10,925,869.29	Washington Mutual Bank		
2005 MF (Coral Hills Apartments)	88275BMP0	0167	Public Offer	\$ 4,045,000.00	#N/A N/A	AA+	#N/A N/A
2006 MF (Village Park Apartments)	88275BNC8	0170	Public Offer	\$ 8,725,000.00	#N/A N/A	AA+	#N/A N/A
2006 MF (Oakmoor Apartments)	88275BNA2	0171	Private Place	\$ 13,166,765.68	#N/A N/A	#N/A N/A	#N/A N/A
2006 MF (The Residences at Sunset Pointe)	88275AAA8	0172	Public Offer	\$ 15,000,000.00	#N/A N/A	AA+/A-1+	#N/A N/A
2006 MF (Hillcrest Apartments)	88275AAE0	0173	Public Offer	\$ 9,350,000.00	#N/A N/A	NR	#N/A N/A
2006 MF (Meadowlands Apartments)	88275AAH3	0180	Private Place	\$ 11,377,446.25	#N/A N/A	#N/A N/A	#N/A N/A
2006 MF (East Tex Pines)	88275AAP5	0181	Private Place	\$ 12,470,000.00	#N/A N/A	#N/A N/A	#N/A N/A
2006 MF (Aspen Park)	88275AAR1	0183	Public Place	\$ 8,565,000.00	#N/A N/A	AA+	#N/A N/A
2006 MF (Idlewild)	88275AAV6	0184	Public Offer	\$ 12,590,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2007 MF (Lancaster)	88275ABA79	0185	Public Offer	\$ 12,580,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2007 MF (Park Place at Loyola)	88275ABB5	0186	Private Place	\$ 13,386,366.51	#N/A N/A	#N/A N/A	#N/A N/A
2007 MF (Terraces at Cibolo)	88275ABC3	0187	Public Place	\$ 4,600,000.00	#N/A N/A	A+/A-1	#N/A N/A
2007 MF (Santora Villas)	88275ABD1	0188	Private Place	\$ 11,342,826.15	#N/A N/A	#N/A N/A	#N/A N/A
2007 MF (Costa Rialto)	None	0191	Private Place	\$ 9,887,270.26	Centerline Equity Issuer Trust		
2007 MF (Windshire)	88275ABN9	0192	Public Offer	\$ 12,600,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2007 MF (Residences @ Onion Creek)	88275ABX7	0193	Public Offer	\$ 15,000,000.00	#N/A N/A	AA+/A-1+	#N/A N/A
2008 MF (West Oaks Apartments)	88275ABY5	0194	Public Offer	\$ 11,475,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2008 MF (Costa Ibiza Apartments)	88275ACD0	0195	Public Offer	\$ 12,420,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2008 MF (Alta Cullen Refunding)	88275ACF5	0197	Public Offer	\$ 11,300,000.00	#N/A N/A	AA+/A-1+	#N/A N/A
2009 MF (Costa Mariposa)	88275ACK4	0198	Public Offer	\$ 12,550,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2009 MF (Woodmont)	88275ACL2	0199	Public Offer	\$ 13,745,000.00	WR/WR	#N/A N/A	#N/A N/A
2014 MF (Decatur Angle)	88275ACN8	0201	Private Place	\$ 22,515,058.74	#N/A N/A	#N/A N/A	#N/A N/A
2016 MF (Williamsburg Apts)	88275ACW8	0205	Public Offer	\$ 22,433,279.96	Aaa	#N/A N/A	#N/A N/A
2016 MF (Skyline Place Apartments)	88275ADC1	0211	Public Offer	\$ 18,250,427.62	Aaa	#N/A N/A	#N/A N/A
2017 MF (Casa Inc Apartments)	88275ADD9	0212	Public Offer	\$ 23,464,753.91	Aaa	#N/A N/A	#N/A N/A
2017 MF (Casa Brendan Apartments)	88275ADF4	0213	Public Offer	\$ 4,888,490.41	Aaa	#N/A N/A	#N/A N/A
2017 MF (Nuestro Hogar)	88275ADE7	0214	Public Offer	\$ 5,572,879.16	Aaa	#N/A N/A	#N/A N/A
2017 MF (Emli Liberty Crossing)	88275ADG2	0215	Public Offer	\$ 17,600,000.00	#N/A N/A	AA+	#N/A N/A
2018 MF (Vista on Gessner)	88275ADH0	0216	Public Offer	\$ 50,000,000.00	Aaa	#N/A N/A	#N/A N/A
2018 MF (Springs Apartments)	88275ADJ6	0218	Public Offer	\$ 20,000,000.00	#N/A N/A	AA+	#N/A N/A
2018 MF (Crosby Plaza Apartments)	88275ADK3	0219	Public Offer	\$ 7,000,000.00	#N/A N/A	AA+	#N/A N/A
2018 MF (Oaks on Lamar)	88275ADN7	0220	Public Offer	\$ 16,633,785.91	#N/A N/A	AA+	#N/A N/A
2018 MF (Riverside Townhomes)	88275ADM9	0221	Public Offer	\$ 18,998,732.30	#N/A N/A	AA+	#N/A N/A
2018 A MF (Forestwood)	88275ADP2	0222	Public Offer	\$ 20,000,000.00	#N/A Invalid Security	#N/A Invalid Security	#N/A Invalid Security
2018 B MF (Forestwood)	88275ADQ0	0222	Public Offer	\$ 100,000.00	#N/A Invalid Security	#N/A Invalid Security	#N/A Invalid Security
2018 MF (Related RD Portfolio)	88275ADR8	0223	Public Offer	\$ 20,000,000.00	#N/A N/A	AA+	#N/A N/A
2018 MF A (Park Yellowstone)	88275LAA4	0224	Public Offer	\$ 12,500,000.00	#N/A N/A	AA+	#N/A N/A
2018 MF B (Park Yellowstone)	88275ADS6	0224	Public Offer	\$ 2,880,000.00	#N/A N/A	AA+	#N/A N/A
2019 MF Series A (Lago de Plata)	88275ADT4	0225	Public Offer	\$ 13,995,000.00	#N/A N/A	#N/A N/A	#N/A N/A
2019 MF Series A (McMullen Square)		0226	Public Offer	\$ 10,000,000.00	#N/A Invalid Security	#N/A Invalid Security	#N/A Invalid Security
2019 MF Series A (Northgate Village)	88275ADC9	0227	Public Offer	\$ 18,980,867.35	Aaa	#N/A N/A	#N/A N/A

Total Bonds Outstanding \$ 851,324,529.07

MULTI-FAMILY HOUSING NOTES PAYABLE

2016 (Garden City Apartments)	\$ 16,012,284.61
2016 (Gateway at Hutchins Apartments)	\$ 27,953,980.25
2016 (Mercantile Apts)	\$ 29,500,000.00
2018 (Preserve at Hunters Crossing)	\$ 13,000,000.00

Bonds/Notes Rated in the Highest Category (Aaa OR AAA) \$ 286,670,698.41

Bonds/Notes NOT Rated in the Highest Category (Aaa OR AAA) \$ 651,120,095.52

Report Item

1

AUDIT AND FINANCE COMMITTEE REPORT ITEM

INTERNAL AUDIT DIVISION

December 12, 2019

Presentation and discussion of the Internal Audit of the Performance Measures at TDHCA

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
An Internal Audit of the Performance Measure Process (PM)
Audit Report # 19-005

Executive Summary

The Office of Internal Audit (OIA) reviewed TDHCA's Performance Measures process and its records, procedures, policies and controls. Based on our reviews and testing, the Fair Housing Data Management and Reporting (FHDMR) has appropriate processes in place for the agency to pass a State Auditor's Office (SAO) audit with a rating of Certified with Qualification.

OIA does include two observations and recommendation which could strengthen the performance measure preparation procedures and controls of input, processing and review.

Observations and Recommendations

- Management should develop written policies and procedures and consistent records to be kept at the division level.
- Management should require review of the performance measure reports, controls and procedures to ensure accuracy in reporting.
- Management should strengthen written policies and procedures to be reviewed and standardized for performance measure preparation.

Management anticipates implementation of these actions on or before December 31, 2019.

Objective, Scope and Methodology

Based upon our risk assessment and other factors, we selected the Performance Measure function for review and testing. This audit was identified in the Fiscal Year 2019 Annual Audit Plan and included the objectives to evaluate the PM program for SAO audit readiness, and to review the procedures and information used in the preparation of quarterly and annual entries into the Automated Budget Evaluation System of Texas through review of records, policies, procedures and external reports (ABEST LBB).

The current audit covered all key performance measure data and reporting for FY 2018.



Mark Scott, CPA, CIA, CISA, CFE, MBA
Director, Internal Audit

9/13/19

Date Signed



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Greg Abbott
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SEPTEMBER 13, 2019

Writer's direct phone # 512.475.3813
Email: mark.scott@tdhca.state.tx.us

Board Members of the Texas Department of Housing and Community Affairs ("TDHCA")

RE: INTERNAL AUDIT OF PERFORMANCE MEASURES

Dear Board Members:

This report presents the results of the Office of Internal Audit ("OIA") "*Review of Performance Measures (PM)*." This audit was identified in the Fiscal Year 2019 Annual Audit Plan and was conducted in accordance with applicable audit standards. It included the objectives of evaluating the key performance for readiness to pass a State Auditor's Office (SAO) performance measure review; and evaluating the records, reports, procedures and internal control procedures related to performance measure reporting to the Automated Budget Evaluation System of Texas.

Our scope included a review of the Texas Government Code (TGC), and the Texas Administrative Code (TAC). We also reviewed internal and external policies, processes, and procedures in the FY2018 Budget, Financial Statements, Legislative Budget Board (LBB), the Automated Budget Evaluation System of Texas (ABEST), General Appropriations Act (GAA), Legislative Appropriations Request (LAR),

various reports, and other related documents. Based upon our preliminary understanding of the PM Program, we identified critical points and risks; in order to develop audit objectives and an audit plan including methodology.

BACKGROUND

Performance measures assist in guiding an agency in planning, and to gauge the achievement of those plans once the period is complete. This guides the next period's planning for budget dollars to be requested for the ensuing biennium, and to establish an agency's activities and actual spending. Appendix 1, SAO Definition of Performance Measures, presents the SAO's definition of performance measure types and uses. Output and Efficiency Measure are submitted on a quarterly basis; Outcome and Explanatory are reported annually.

The Fair Housing Data Management and Reporting (FHDMR) Division manages the reporting to ABEST for TDHCA. The individual operation divisions at TDHCA are responsible for the compilation, calculation and reporting of their information. In 2018, FHDMR established a database for the divisions to directly report their information. FHDMR then reviews the input, compares it to the supporting information, and if those match, prepares a draft ABEST report for executive management review. FHDMR tracks those responses, answers any questions, makes needed corrections, and once the draft is completely accepted, the ABEST report is changed to completed status.

TDHCA has a designated performance measure coordinator located within the FHDMR division.

Submitting performance measures is completed by the steps presented in Appendix 2, the Standard Operation Procedures for Performance Measures.

There are four kinds of Performance Measures. Two of these are reported quarterly: Output Measures quantify an agency's workload, such as the goods and services it provides; and Efficiency Measures, which track the cost-efficiency, productivity and timeliness of agency operations. On an annual basis Outcome Measures assess an agency's effectiveness (results or impact) in serving its key customers and in achieving its mission, goals and objectives. An Explanatory Measure defines the agency's operating environments and explains factors that affect agency performance.

TDHCA has 27 Key Performance Measures, which cover the goals, objectives and strategies of affordable housing funds available through the number of houses assisted with financing; number of households assisted with single family or multi-family funds through the HOME program; the amount of available funds by very low, low and moderate income levels; the number of individuals served by Section 8 Rental Assistance; in the Community Affairs and Homelessness Programs by the number of people served, and the number of people improved by poverty assistance; the number receiving utility assistance, and the number of houses weatherized; in Manufactured Housing by the number of inspections of consumer complaints, how many complaints were resolved and the length of time it took to do so; the number of housing installation reports; Information and Assistance by how many requests were handled by the Housing Resource Center (HRC), number of households assisted through Housing Tax Credits (HTC), and in ensuring compliance by monitoring of the number of reviews of housing requirements and contract requirements.

Audit Results:

The State Auditor's Office (SAO) periodically conducts audits of state agencies' performance measures. The SAO grades each performance measure and rates them as:

- 1) Certified
- 2) Certified with Qualifications
- 3) Inaccurate
- 4) Factors Prevent Certification

Our primary objective of this internal audit was to determine whether TDHCA's Performance Measures would be certifiable in the event of an SAO audit. Performance Measures that have a Certified or Certified with Qualification rating are considered reliable.

There were no findings of inaccuracy or noncompliance.

Objective 1, determine whether TDHCA has adequate processes to pass an SAO performance measures audit:

Observation: All audited performance measures received an internal audit review score of Certified with Qualification. The primary reasons for the qualification were: lack of written policies and procedures in the operational divisions, accuracy of report totals for prior year to date numbers in 2018, consistent backup information at the operational division level, and inconsistent review of totals that were not correct or lack of review noted.

Management Response to Results of Objective 1:

Regarding "a lack of written policies and procedures at the operational divisional level" and "consistent backup information at the operational division level," SOP 1400.01 – LBB Performance Measures, section 3.1B.c. indicates that "procedures should be established by each division to make sure that in each division, processes and controls are established to ensure data are reliable and accurate." Management agrees that written policies and procedures are important to maintain Performance Measure accuracy and reliability. As such, SOP 1400.01 will be strengthened to 1.) require, and not simply suggest, that written policies and procedures be submitted and updated as necessary and 2.) require that written policies and procedures address how divisions will keep backup information.

Regarding the "accuracy of report totals for prior year to date numbers in 2018" and "inconsistent review of totals that were not correct or lack of review noted," as indicated in the Background section of this report, a database was launched in 2018 for the divisions to directly report their information. As FHDMM continues with use of the database to complete a full biennium of reporting, refinements will continue to be made to the database and overall Performance Measure process. Management anticipates implementations of these actions on or before December 31, 2019.

Objective 2, review the reports, controls and procedures of the performance measures function to ensure accuracy in reporting.

Observation: While performance measure results were accurate, the controls over measure records, calculation and reporting were neither consistent nor adequate to ensure accuracy on a consistent basis. Measures preparation process could be improved:

Implement a consistent division performance measure preparation and documentation method.

Written policies and procedures did not exist at the division level for all divisions as SAO requires for performance measure preparation.

Review boxes are inconsistently used. Examples are they may be checked but calculations are may not be correct, and they may not be checked. Division directors are encouraged to review reports. Requiring review and signoff would strengthen this control.

Management Response to Results of Objective 2:

As noted above in the Management Response to the Results of Objective 1, SOP 1400.01 will be strengthened to require, and not simply suggest, that written policies and procedures be submitted and updated as necessary. Further, FHDMR plans to provide a template for the required division level written policies and procedures to include specific elements listed in the LBB Performance Measure Management Guide. These elements are the collection, calculation, review, and reporting of the performance measure data. Beyond the elements, the template will include a section for management signature and approval procedures. Management anticipates implementation of these actions on or before December 31, 2019.

Recommendation: The performance measure procedures and processes should be reviewed and strengthened to include written policies and procedures and standardization of report uses and fields used by a designated preparer at the division level. This needs to be completed for all performance measures. The SAO's Guide to Performance Measures Review states that it primarily selects for audit from the key performance measures, but they can access nonkey performance measures for review, as well.

Management Response to Recommendation:

As noted above in Management Responses to Results of Objectives 1 and 2, SOP 1400.01 will be strengthened to require written policies and procedures from each division. While many of the divisions currently do have written policies and procedures in place, FHDMR plans to provide a template for the written policies and procedures to ensure each division documents all elements listed in the LBB Performance Measure Management Guide. Management anticipates implementation of these actions on or before December 31, 2019.

Documentation:

OIA performed research and review of internal and external documentation and interviewed FHDMR personnel, division performance measure liaisons , prior audit reports, SAO's Guide to Performance

Measure Management 2012, LBB performance measure sections, to gain an understanding of the effectiveness of the performance measure process through these steps:

- researching and explaining the PM process
- determining and assessing the accuracy of data collection and calculation methodologies
- evaluating the accuracy of reporting
- evaluating the internal control procedures related to the program and review process
- confirming the status of prior audit open items, Internal Audit Report 14-1064

Testing:

We documented the performance measure process from the ABEST reports, through the database entries, the summary division information templates, and the supporting information for the measures tested. All key performance measures were reviewed for correctness, and six strategies containing eleven measures were then reviewed at the detail information level. OIA did not test for accuracy of source information. Input is reviewed by division staff and managers, FHDMR, executive management and the LBB for correctness.

During the course of our work, program areas and the performance measure database analyst were reviewed. Further development of procedures to ensure supervisory review of calculations, independent review of data entry into the Automated Budget Evaluation System of Texas (ABEST), and consistent documentation of program reviews or source data will strengthen the controls surrounding performance measure processes, and will help to ensure the accuracy of the reported measures.

Controls over the performance measure reporting include: performance measure reviews by division performance measure liaisons and division directors, comparison of data entered into the ABEST system with the Department's own performance measures database, and supporting information, as well as draft report review and comments by executive management before final submission to the Legislative Budget Board's ABEST platform. FHDMR has made improvements since establishment of a database, including coordinating performance measure definition review, which the LBB stated were 100% correct for the FY 2020-2021 biennium, which occurred during the current audit period.

Other control measures include processing of data; OIA located and FHDMR corrected a programming weakness which resulted in faulty Year-to-Date (YTD) calculations. The internal reports from the database now report this field correctly. This correction did not affect the accurate Performance Measure submission in ABEST.

Input control relates to original data received. OIA found one miscalculation in recomputing numbers but it was not on a key performance measure field and did not affect the reported numbers within the scope of this audit.

The Department's standard operating procedures for performance measure reporting exist at a department level but were not consistently found at the division level. Some had process steps but not an explanation of the procedure, some divisions did not have SOPs in existence for the time period this audit covered. The State Auditor's Office in their Guide to Performance Measure Management, 2012, indicates that an agency should clearly document all steps performed in the collection, calculation, and review and reporting of the performance measure data in its written policies and procedures.

We documented the PM process from the division liaison gathering the raw numbers, calculating the performance measures, reporting those to Fair Housing Data Management and Reporting (FHDMR), review of those numbers, and reporting those numbers to the LBB. We also interviewed management to gain an understanding of how the key measures are utilized as budget drivers for the next biennium's budget request.

A four step audit process; **data collection, calculation, reporting and review** was used to test the key performance measures reported for FY 2018 to the LBB, and used for the operating budget and LAR process:

Administration:

OIA extends our sincere appreciation to management and staff of the FHDMR and program staff for their cooperation and assistance during the course of this audit.

Sincerely,



Mark Scott, CPA, CIA, CISA, CFE, MBA
Internal Audit Director

MS/CK

Appendix 1, Appendix 3, Performance Measure Types, Uses and Examples, Guide to Performance Measure Management, 2012 edition, Texas State Auditor's Office (SAO)

Appendix 2, Excerpt from Appendix 2, Section 5 Step 9, Determine Each Performance Measure's Certification Category, Auditing Performance Measures, Guide to Performance Measure Management, 2012 edition, Texas State Auditor's Office (SAO)

Appendix 3

Performance Measure Types, Uses, and Examples

Types of Performance Measures

Type	Measure	Examples of Measures
Outcome (Results/Impact)	Assesses an agency's effectiveness (results or impact) in serving its key customers and in achieving its mission, goals, and objectives.	- Percentage of University Students Graduating in Four Years - Percentage of Licensed Establishments Inspected Annually - Percentage of Licensees With No Violations
Output (Volume)	Quantifies an agency's workload, such as the goods and services it provides.	- Number of Dual Diagnosis Clients Served for Substance Abuse - Number of Inspections Conducted - Number of Employee License Applications Processed
Efficiency	Assesses the cost-efficiency, productivity, and timeliness of agency operations.	- Average Cost Per Case - Average Cost Per Inspection - Average Time for Complaint Resolution
Explanatory	Defines the agency's operating environment and explains factors that affect agency performance.	- Percentage of Medical School Graduates Entering a Primary Care Residency - Number of Business Facilities Registered - Number of Cases Received

Use of Key and Non-key Measures

How a Measure Is Used	Key	Non-key ABEST	Non-key, Non-ABEST
In Legislative Appropriations Request?	Yes	Yes	No
In the General Appropriations Act?	Yes	No	No
In operating budget?	Yes	Yes	No
Reported quarterly/annually?	Yes	Yes*	No
Subject to certification?	Yes	Intermittently	No
Used by Legislature?	Yes	Yes	Intermittently
Used by budget offices?	Yes	Yes	Intermittently
Used by agency management?	Yes	Yes	Yes

*Reported through Legislative Appropriations Requests and operating budgets.

Examples of Outcome Versus Output Measures

Outcome Measure	Output Measure
Percent of Adults Who Complete Treatment Programs and Report No Past Month Substance Use at Follow-up	Number of Adults Served in Treatment Programs for Substance Abuse
Percent Increase in Fall Student Headcount Enrollment Since Fall 2000	Increase in Fall Student Headcount Enrollment Since Fall 2000
Percent of Licensees Who Renew Online	Number of Individual Licenses Renewed

Appendix 2, Excerpt from Appendix 2, Section 5 Step 9, Determine Each Performance Measure's Certification Category, Auditing Performance Measures, Guide to Performance Measure Management, 2012 edition, Texas State Auditor's Office (SAO)

Determine Each Performance Measure's Certification Category

Measures are designated as either "certified," "certified with qualification," "factors prevented certification," or "inaccurate." These categories are assigned based on a combination of the adequacy of the controls over a measure and the results of testing a sample of source documents. A performance measure result is considered reliable if it is certified or certified with qualification. The following are explanations for the four certification categories:

A measure is **Certified** if reported performance is accurate within 5 percent and if it appears that controls to ensure accuracy are in place for collecting and reporting performance data.

A measure is **Certified With Qualification** when reported performance appears accurate but the controls over data collection and reporting are not adequate to ensure continued accuracy. A measure is also certified with qualification when controls are strong but source documentation is unavailable for testing. A measure is also certified with qualification if agency calculation of performance deviated from the measure definition but the deviation caused less than a 5 percent difference between the number reported to ABEST and the correct performance measure result.

A measure is **Inaccurate** when the actual performance is 5 percent or greater than the reported performance, or when there is a 5 percent or greater error rate in the sample of documentation tested. A measure also is inaccurate if the agency's calculation deviated from the measure definition and caused a 5 percent or greater difference between the number reported to ABEST and the correct performance measure result.

Factors Prevented Certification if documentation is unavailable and controls are not adequate to ensure accuracy. This designation also will be used when there is a deviation from the measure definition and the auditor cannot determine the correct performance measure result. Results of the performance measures audit are published in a public report to be used by the LBB, GOBPP, and the Legislature. These results are presented in a table that contains the reference for the related objective or strategy, measure name, classification of measure, results reported in ABEST, and certification results. Findings and recommendations are developed for each measure that is not certified. Audited agencies will provide management responses to address each of the recommendations. Those responses will be published in the public report.

Report Item

2

AUDIT AND FINANCE COMMITTEE REPORT ITEM

INTERNAL AUDIT DIVISION

December 12, 2019

Presentation and discussion of the Internal Audit of the Enforcement Committee at TDHCA

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
An Internal Audit of the Enforcement Committee
Audit Report # 19-009

Executive Summary

The Office of Internal Audit (OIA) reviewed TDHCA's Enforcement Committee and its policies, procedures, and controls that are currently in place. Based on our reviews and testing, the Enforcement Committee is functioning effectively in pursuing compliance to appropriate rules and regulations for the state and federal programs under its purview. We've identified some areas for improvement, as described in the detailed report.

Observations and Recommendations

- OIA recommends that the Enforcement Committee establish Standard Operating Procedures to address internal procedures that would ensure consistency and reliability of the operation for the Committee.
- OIA recommends that the Department establish a procedure in which a secondary individual will be cross trained and assigned as the backup for the Secretary.

Response:

Management agreed with our recommendations, and detailed responses are included in the body of the audit report.

Responsible Area:

Enforcement Committee

Objective, Scope and Methodology

Our scope included a review of the Texas Administrative Code (TAC) Rules §2.101 – 2.104, Rule §2.201 – 2.204, Rule §2.301, 2.301, Rule §2.401, TX Gov Code 2306.041 – 0504, and Department's internal policy and procedures. We also reviewed the Committee's goals, processes, and roles and responsibilities related to enforcing applicable rules and regulations.



Mark Scott, CPA, CIA, CISA, CFE, MBA
Director, Internal Audit

11/8/19
Date Signed



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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Sharon Thomason, *Member*
Leo Vasquez, *Member*

November 8, 2019

Writer's direct phone # 512.475.3813
Email: mark.scott@tdhca.state.tx.us

Board Members of the Texas Department of Housing and Community Affairs ("TDHCA")

RE: INTERNAL AUDIT OF THE ENFORCEMENT COMMITTEE AT TDHCA

Dear Board Members:

This report presents the results of the Office of Internal Audit ("OIA") "*Review of the Enforcement Committee.*" This audit was conducted in accordance with applicable audit standards. It included the objectives to evaluate and explain the *Enforcement Committee* function and activities, and to evaluate its compliance with applicable rules.

The Enforcement Committee function was identified during the 2019 fiscal year risk assessment, and rated high on the risk assessment due to management's interest, and its role in enforcing Department's mission and program specific rules and regulations.

BACKGROUND

In 2001, the TX Gov't Code 2306.0504 enabled TDHCA to debar person from participation in department programs, and, in 2007 TX Gov't Code 2306.041 gave the Board the authority to assess administrative penalties for violation of statute or a rule or order adopted under the statute. As a result The Enforcement Committee was established in 2008, by rule §2.302, as a mechanism to facilitate the resolution of outstanding non-compliance issues related to federally funded programs that are administered by TDHCA. The focus and primary role of the committee has been to achieve and promote full compliance, and to deter future noncompliance, rather than to create a punitive process.

Administrative penalties and debarment are tools used by the Committee to achieve voluntary compliance.

SCOPE AND METHODOLOGY

Our scope included a review of the Texas Administrative Code (TAC) Rules §2.101 – 2.104, Rule §2.201 – 2.204, Rule §2.301, 2.301, Rule §2.401, TX Gov Code 2306.041 – 0504, and Department’s internal policy and procedures. We also reviewed the Committee’s goals, processes, and roles and responsibilities related to enforcing applicable rules and regulations.

ENFORCEMENT COMMITTEE’S ROLE AND RESPONSIBILITIES

The Committee’s role is to make recommendation to the Executive Director regarding administrative penalties and other enforcement actions. If a penalty or debarment is deemed appropriate, the Committee makes a recommendation to the Executive Director for his review and approval. Once the Committee’s recommendations are approved by the Executive Director they’re presented to the Board for approval. Depending on each case and level of violation the recommendations could be:

- A Final Order for debarment (TX Gov Code §2306.0504 and 10 TAC §2.41), or
- An Agreed Final Order to settle a penalty referral (TX Gov Code §2306.041-042 and 10 TAC §2.302(e)(4), or
- Issuance of a Report to the Board and issuance of a Notice of Violation to initiate the contested case hearing process.

The Committee consists of five voting members, including the Chair, who are appointed by the Executive Director. The Committee members represent different programs throughout TDHCA, and can provide program specific inputs. The Secretary, who is part of the Legal Division, and the Deputy General Counsel are the nonvoting members of the Committee. Compliance division and Asset Management are excluded from Committee membership by 10 TAC §2.102(2) to ensure impartiality of the process. Both can attend meeting and provide their input to the Committee, however they cannot be present during deliberations and have no voting rights. Additionally, there is one seat for non-program staff that is unaffiliated with any of the programs, and their comments may be considered by the Committee.

The enforcement mechanisms referenced above are not the exclusive mechanisms whereby compliance may be obtained in any particular case and circumstance. In addition to the Department action, enforcement mechanisms related to Department programs may include those required by other entities or agencies. For example; in cases related to Low Income Housing Tax Credit Program, if an identified instance of noncompliance is required by the Internal Revenue Service (IRS) to be reported to IRS, it will be reported directly by the Compliance Division and will not require Enforcement Committee’s recommendations. Enforcement mechanisms available to the Department include:

- Enforcement of contractual provisions, including the Department's right of suspension or termination, and placement on a cost reimbursement status
- Assessment of Administrative Penalties
- Debarment

COST REIMBURSEMENT

If deemed necessary the Committee may recommend placing a sub-recipient on cost reimbursement status. Cost reimbursement requires Sub-recipient to submit supporting documentation and back up for any expenditures or obligations prior to the Department releasing any funds. If approved by the Board the staff has to establish appropriate review protocols for each entity placed on cost reimbursement status. An entity can and will be removed from cost reimbursement status when the Department determines that the originally identified risks or concerns have been sufficiently mitigated and resolved.

ADMINISTRATIVE PENALTIES

The Compliance Division will recommend to the Committee, through an administrative referral process, the initiation of proceedings to assess administrative penalties where the responsible party / entity has violated the rules established under TX Gov Code 2306, and has failed to take appropriate and timely corrective actions despite written notices by Compliance staff. If the Committee determines that the administrative penalty is appropriate a recommendation, along with the proposed amount of penalty, will be submitted to Executive director for his review and submission to the Board.

Several factors are taken into consideration when determining the amount of administrative penalties. The Executive Director and the Committee should take into consideration whether the responsible party / entity has timely taken appropriate actions within their control, the amount of penalty necessary to deter future violations, and in some instances such as CSBG, CEAP, ESG, or HHSP, whether the assessment of the penalty will interfere with the uninterrupted delivery of services under these programs. The Committee and Executive Director should take into account whether the Department's purposes may be achieved or enhanced by the use of full or partial probation of penalties subject to adherence to specific requirements.

DEBARMENT

The Enforcement Committee may recommend to the Executive Director debarment of a responsible party / entity that has exhibited past failure to comply with any condition imposed by the Department in the administration of its programs. Prior to the recommendation the Committee is required to give written notice of the issue, including the facts and circumstances justifying debarment. The responsible party is then given the opportunity to attend an informal conference with the Committee to discuss resolution of the issue.

The committee's recommendation to the Executive Director regarding debarment should include a recommended period of debarment. The recommended period will be based on factors such as repeated occurrences, seriousness of underlying issues, and presence or absence of correction action.

Any person / entity that has been debarred is prohibited from participation in programs administered by the Department for the term of their debarment unless by its terms the order of debarment permits continuing activity in one of more specified programs.

STANDARD OPERATING PROCEDURES (SOP)

An SOP is a procedure specific to the operation of an entity or function that describes the activities necessary to complete tasks in accordance with applicable rules and regulations. It defines expected practices in a process where quality standards exist. SOPs play an important role in any organization and division. They are policies, procedures and standards needed to operate in a successful way. They can create efficiencies, consistency and reliability, fewer errors, and add value.

OBSERVATION

The Enforcement Committee does not have a SOP that it operates under at this time. The Committee follows the statutes and rules established under applicable Texas Administrative Codes and Texas Government Codes. State law requires that any requirement or procedures of a state agency that affect regulated persons must be adopted by formal notice and comment rulemaking. The rules permit flexibility to the Committee to address variety of cases with different wide range of circumstances. However, the rules do not address other aspects of the Committee and its operation, such as succession and cross training of staff for key positions within the Committee.

RECOMMENDATIONS

OIA recommends that the Enforcement Committee establish Standard Operating Procedures to address internal procedures that would ensure consistency and reliability of the operation for the Committee.

MANAGEMENT RESPONSE

Staff agrees with the recommendation and will create an SOP.

TESTING AND REVIEW

As part of our audit we reviewed two files from Administrative Referral phase to its final resolution and found no areas of non-compliance. Based on our reviews the function of Enforcement Committee is effective and shows no instances of non-compliance to the rules that it operates under.

OBSERVATION

During our review we noted that the Committee Secretary plays an essential role in how the Committee functions and carries out its responsibilities. The Secretary is the primary contact between the Department and the individual / entity that has been referred to the Committee through administrative referral process, and is responsible for the record keeping of all the communications, recommendations, and Committee meeting notes. Currently the Department doesn't have a back up for this position for continuity of the operation and functions of the Enforcement Committee.

RECOMMENDATION

OIA recommends that the Department establish a procedure in which a secondary individual will be cross trained and assigned as the backup for the Secretary.

MANAGEMENT RESPONSE

Staff agrees that there is no backup for the Committee Secretary – a vital and critical resource necessary for the Committee's continued effectiveness. The Committee, through its legal advisor, will raise this issue with appropriate management.

OIA extends our appreciation to management and Enforcement Committee's members for their cooperation and assistance during the course of this audit.

Sincerely,



Mark Scott, CPA, CIA, CISA, CFE, MBA
Internal Audit Director

Report Item

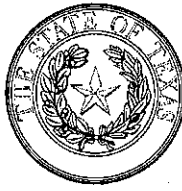
3

AUDIT AND FINANCE COMMITTEE REPORT ITEM

INTERNAL AUDIT DIVISION

December 12, 2019

Presentation and discussion of the Internal Audit Annual report



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

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Leo Vasquez, Member

October 31, 2019

Writer's direct phone # 512.475.3813
Email: mark.scott@tdhca.state.tx.us

State Auditor's Office
Robert E. Johnson Building
1501 North Congress Avenue, Suite 4.224
Austin, TX 78701

RE: ANNUAL INTERNAL AUDIT REPORT FOR FISCAL YEAR 2019

Internal Audit Coordinator:

The attached report on the activities of the Texas Department of Housing and Community Affairs' (the Department) Internal Audit Division (Division) for Fiscal Year 2019 fulfills the requirements of the Texas Internal Auditing Act (Texas Government Code, Chapter 2102). The purpose of this report is to provide information on the benefits and effectiveness of the Department's internal audit function as well as on our compliance with House Bill 16. In addition, the annual report assists oversight agencies in planning their work and coordinating their efforts.

During Fiscal Year 2019, the work of the Division contributed to an increase in the effectiveness of the Department's operations. In addition, the Department underwent other audits and reviews by its external auditors, oversight agencies and funding source agencies.

Our internal audit work plan for Fiscal Year 2020 will be presented to the Department's governing board for approval at the December 12, 2019 board meeting. A draft copy of the 2020 audit work plan is included in the attached report. Both the fiscal year 2020 audit work plan and this report will be posted to the Division's internet web page as required by House Bill 16 (after board approval of annual audit plan). We appreciate the opportunity to provide this information. If you have any questions about this report, please contact me at (512) 475-3813.

Sincerely,

A handwritten signature in black ink that reads "Mark Scott".

Mark Scott, CPA, CIA, CISA, CFE, MBA
Internal Audit Director



RE: ANNUAL INTERNAL AUDIT REPORT FOR FISCAL YEAR 2019

October 30, 2019

Page 2

cc: Bobby Wilkinson, Executive Director
John Colyandro, Governor's Office of Budget, Planning and Policy
Christopher Mattsson, Legislative Budget Board
Jennifer Jones, Sunset Advisory Commission
Internal Audit Coordinator, State Auditor's office

Texas Department of Housing and Community Affairs
Internal Audit Annual Report – Fiscal Year 2019

Table of Contents

- I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Web site
- II. Internal Audit Plan for Fiscal Year 2019
- III. Consulting Services and Nonaudit Services Completed
- IV. External Quality Assurance Review (Peer Review)
- V. Internal Audit Plan for Fiscal Year 2020
- VI. External Audit Services Procured in Fiscal Year 2019
- VII. Reporting Suspected Fraud, Waste, and Abuse

**Texas Department of Housing and Community Affairs
Internal Audit Annual Report – Fiscal Year 2019**

I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on Internet Web Site

The Internal Audit Division's internet web page (<http://www.tdhca.state.tx.us/internal-audit.htm>) includes:

- An overview of the Internal Audit Division and its mission statement,
- The Internal Audit Division's most recent peer review (October 2017),
- Standards, statutes and rules governing the operation of the Internal Audit Division:
 - Texas Government Code Chapter 2102: Texas Internal Auditing Act (www.statutes.legis.state.tx.us),
 - Texas Government Code 2306.073: Internal Audit (www.statutes.legis.state.tx.us),
 - Internal Audit Charter (updated June 2018), and
 - Internal Audit Board Resolutions (amended January 2014),
- Internal Audit Annual Plan for Fiscal Year 2020 (Pending Board approval)¹,
- Internal Audit Annual Report for Fiscal Year 2019, and
- Internal Audit Reports.

Findings noted while performing the Fiscal Year 2019 audit plan are included in the respective Fiscal Year 2019 audit reports. The actions taken by the agency to address the noted concerns are also included in those reports.

II. Internal Audit Plan for Fiscal Year 2019

Project / Audit Title	Report Number	Completed	Report Date
Loan Servicing (Carry over from FY18)	19-001	Yes	November 28, 2018
TDHCA's Licensing, Inspection, and Outreach for Migrant Labor Housing	19-002	Yes	March 12, 2019
Public Information Request (PIR)	19-003	Yes	January 9, 2019
Construction Cost Certification function	19-004	Yes	June 19, 2019
Complaint Resolution Process	19-006	Yes	August 15, 2019
Implementation Status of Prior Audit Recommendations	19-007	Yes	August 19, 2019

**Texas Department of Housing and Community Affairs
Internal Audit Annual Report – Fiscal Year 2019**

Internal Audit follow up review of Migrant Labor Housing Facilities	19-008	Yes	August 23, 2019
Performance Measures	19-005	Yes	September 13, 2019
Enforcement Committee	19-009	Yes	October 30, 2019
Multifamily Revenue Bond	20-001	No	In fieldwork phase

III. Consulting Engagements and Non-audit Services Completed

Consulting Project Related to Subrecipient Monitoring

This project has included regular meetings for the Internal Audit Director to provide management with advice on Single Audits (formerly referred to as A-133 audits) of TDHCA subrecipients. The group meets, as needed, to go over single audits that have findings and/or other issues, and to prepare the management responses to the audits that are required by the Single Audit Act.

Coordination of External Audit Activities

There have been several external audits and monitoring reviews of TDHCA during the past year, and the Office of Internal Audit provides coordination services during the course of these audits. The most recent audits were the SAO audits of the TDHCA's Annual Financial Statement, Annual audit of bond activity and compliance with Public Investment act, audit of Classification of I.T positions, and SAO audits of HUD data, including an "in relation to" financial data audit and an internal control audit. In addition, CliftonLarsonAllen LLP (CLA), performed audits of Low Income Housing Energy Assistance Program (LIHEAP) and Community Services Block Grant (CSBG).

IV. External Quality Assurance Review (Peer Review)

The Department's Internal Audit Division received its most recent peer review in Fiscal Year 2018. The peer review was started in September 2017 and completed in October 2017. The following excerpt is from the executive summary of that report.

"It is our overall opinion that the Internal Audit Department at TDHCA generally conforms to the IIA's Standards and the Code of Ethics for the period of January 1, 2016 through September 30, 2017. There were no opportunities for improvement identified that would be considered reportable items.

The IIA's quality Assessment Manual for the Internal Audit Activity suggests a scale of three rankings when opining on the internal audit activity: "Generally Conforms," "Partially Conforms," and "Does Not Conform." The ranking of "Generally Conforms"

**Texas Department of Housing and Community Affairs
Internal Audit Annual Report – Fiscal Year 2019**

means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards and the Code of Ethics.

The Internal Audit Department is independent, objective and has unrestricted access to systems and records. The Internal Audit management and staff are professional and possess the appropriate skills to effectively perform their audits. Internal Audit projects are effectively executed and results are communicated timely.”

V. Internal Audit Plan for Fiscal Year 2020 (Pending Board Approval)

Activity/Program/Division	Comments
Section 8 Program	The specific project objective(s) and scope will be determined by the detailed assessment of relative risks identified during the project planning process.
Physical Inspections	
Section 811 PRA Program	
Purchasing	
Continuity of Operations Plan (COOP)	
Management Requests or Special Projects	As requested
Duties related to Fraud, Waste, and Abuse allegations	Internal Audit is responsible for reviewing allegations of fraud, waste and abuse.
Prior Audit Issues Tracking, Follow Up and Disposition	Required by the Audit Standards
Annual Risk Assessment and Audit Plan Development	Required by the Audit Standards and the Texas Internal Auditing Act
Continuing Professional Education and Staff Development	Required by the Audit Standards
Quality Assurance Self-Assessment Review	Required by the Audit Standards
Coordination with External Auditors and Oversight Agencies	Ongoing requirement
Preparation and Submission of the Annual Internal Audit Report	Required by the Texas Internal Auditing Act
Annual Review and Revision of Internal Audit Charter	Required by the Audit Standards

The audit plan is a dynamic document that may change during the fiscal year as circumstances change. Requests from management, changes in audit resources and changes in the agency's organization or operations could result in changes to the plan. Significant changes will be presented to management, the Audit Committee and the Governing Board for review and approval.

The audit plan was developed utilizing a risk-assessment matrix, and input from stake-holders. The auditable units such as programs, divisions of the organization, and administrative functions, were risk-ranked according to attributes such as dollar size of unit, fraud risk, and complexity of operations. The highest ranked auditable units were selected for audit. There are

Texas Department of Housing and Community Affairs Internal Audit Annual Report – Fiscal Year 2019

no internal audit projects specifically focused on Senate Bill 20 Provisions. However, the Audit of Purchasing division may include review of large contracts in its scope.

The budgeted hours for all projects are based on two staff auditors and the Director of Internal Audit.

VI. External Audit Services

In Fiscal Year 2019, external audit services were procured from and provided by the State Auditor's Office. These services included an audit of the Department's Annual Financial Report and Computation of Unencumbered Fund Balances.

VII. Reporting Suspected Fraud, Waste, and Abuse

The Department's home page (www.tdhca.state.tx.us) has an active link to the State Auditor's Office's fraud, waste and abuse hotline, as well as the hotline phone number for the State Auditor's Office.

The Department has policies and procedures in place to report suspected fraud, waste and abuse to the State Auditor's Office as required by the Texas Government Code, Section 321.022. The Executive Director is responsible for deciding, based on input from others, whether an incident warrants investigation, and is also responsible for the decision as to whether or not an incident should be reported to the State Auditor's Office. The Internal Auditor is responsible for investigating such incidents as requested by the Executive Director and as approved by the Chair of the Audit and Finance Committee. The Internal Auditor is also responsible for consulting with the general counsel or ethics advisor about whether an incident meets the "reasonable cause to believe" criterion for reporting an incident to the State Auditor's Office and for advising the executive director as appropriate. All Department employees are also responsible for reporting to their division directors any incidents or matters of which they become aware that may require a report to the State Auditor's Office.

The Department regularly reports cases of suspected fraud, waste and abuse to the State Auditor's Office in addition to the Department's other oversight agencies such as the Department of Housing and Urban Affairs' Office of the Inspector General, the Department of Energy's Office of the Inspector General, and the Department of Health and Human Services' Office of the Inspector General.

¹ The Internal Audit Annual Plan for Fiscal Year 2020 will be posted on Division's internet web page after Board approval on December 12, 2019.

Report Item

4

AUDIT AND FINANCE COMMITTEE REPORT ITEM

INTERNAL AUDIT DIVISION

December 12, 2019

Report on the status of the External Audit activities

Verbal Report