

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

AUDIT AND FINANCE COMMITTEE MEETING

VIA TELEPHONE AND GOTOWEBINAR

September 3, 2020
8:00 a.m.

MEMBERS:

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

ON THE RECORD REPORTING
(512) 450-0342

I N D E X

<u>AGENDA ITEM</u>	<u>PAGE</u>
CALL TO ORDER	
ROLL CALL	
CERTIFICATION OF QUORUM	--
ACTION ITEMS:	
ITEM 1: Presentation, discussion, and possible action to approve the Audit and Finance Committee Minutes Summary for June 25, 2020	--
REPORT ITEMS:	
ITEM 1: Presentation and discussion of Internal Audit of the Physical Inspection section of the Compliance Monitoring Division	3
ITEM 2: Presentation and discussion of Internal Audit of the Section 8 Housing Choice Voucher Program	5
ITEM 3: Report on the status of the Internal and External Audit activities	7
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 (GoToWebinar live feed started after meeting was
3 already in progress.)

4 (8:05 a.m.)

5 MR. SCOTT: (Started in mid-sentence) and based
6 on our reviews and testing, we concluded that the physical
7 inspection section operates in compliance with applicable
8 rules. We identified some areas of improvement to
9 strengthen data access controls and technology change
10 management functions. Management has agreed to our
11 recommendations and will be implementing procedures to meet
12 them.

13 So are there any questions related to this
14 report item, this audit report?

15 MR. VASQUEZ: Mark, I just have one. In the
16 notes you talked about a 10 percent sample. Is that eight
17 properties or 80 properties?

18 MR. SCOTT: That was eight, and I know it sounds
19 like a small sample. It was a sample of the last year of
20 the new construction. So in this case, since we're testing
21 the operational process, it's not like we're doing an audit
22 of financial statements where we have to have a certain
23 number to verify statistically the accuracy.

24 MR. VASQUEZ: So of the 2,400 active properties
25 we're just doing inspections?

1 MR. SCOTT: Right. Because, see, the thing is
2 they haven't been doing their complete inspection program
3 recently, so the ones they were doing were the new
4 constructions, so that's the ones we tested from.

5 And I can see from your face -- you know, I
6 think we need to do a follow-up but we did basically what
7 we could considering the current situation.

8 MR. VASQUEZ: Okay. I understand the
9 limitations that are going on right now, so how often do we
10 audit the physical inspection section?

11 MR. SCOTT: Well, this is the first time we've
12 done this physical inspections audit, so we'll probably do
13 a follow-up next year, and given the recent restrictions on
14 our ability to do audit, it would almost be like a new
15 auditable unit. In other words, to do the ones we didn't
16 do this year, we could do them next year.

17 MR. VASQUEZ: Again, I appreciate that we
18 checked out some of the formats of the paperwork for eight
19 items, but I don't think this counts as a true audit, full
20 audit report, given what we're looking at here.

21 MR. SCOTT: Right. I agree with you. But I
22 mean --

23 MR. VASQUEZ: Again, I'm not getting after you.
24 I'm saying, again, I understand the restrictions this
25 year. I really think you've got to start from square one

1 again for next year's audit cycle with this.

2 MR. SCOTT: Yes, sir. I completely agree with
3 that, and we will do that.

4 MR. VASQUEZ: Okay. Great. Thanks.

5 MR. SCOTT: Okay. The next audit is the audit
6 of the Housing Choice Voucher Section 8 Program.

7 The Section 8 Program has not undergone a major
8 audit in recent years. This program has a large number of
9 transactions. Various programmatic reviews have been
10 conducted by HUD. The Housing Choice Voucher, HCV, Section
11 8 Program provides rental assistance payments on behalf of
12 low income individuals and families, including elderly and
13 persons with disabilities.

14 The program provides financial assistance for
15 decent, safe and sanitary housing to eligible households
16 whose annual gross income does not exceed 50 percent of
17 HUD's median income guidelines. Eligibility and the amount
18 of rent the tenant must pay is based on several factors,
19 including the household's income, size and composition,
20 legal residency status, assets, median income, and
21 childcare expenses.

22 Currently TDHCA oversees and administers Housing
23 Choice Vouchers Section 8 programs for 34 counties and
24 administers a statewide program anywhere in the state for
25 persons with disabilities, in collaboration with referral

1 agencies.

2 For this audit we reviewed applicable Texas
3 Administrative Code, which is TAC, and U.S. Department of
4 Housing Urban Development, HUD, standards, rules and
5 regulations. We also evaluated the Section 8 Program's
6 internal processes and controls that are currently in
7 place. This included review of the application process,
8 reporting requirements and approval and disbursement of
9 Housing Choice Vouchers to eligible individuals and
10 households.

11 We reviewed the program's SOPs, tested employee
12 access to confidential files and records related to
13 clients' applications. We pulled a sample of 20 files and
14 tested for completion and accuracy of information.

15 The attributes we tested included accuracy of
16 calculations and use of guidelines provided by HUD, such as
17 utility assistance allowance and payment standard amounts,
18 background checks on applicants and their households,
19 records of physical inspection and self-certification.

20 Based on our reviews and testing, the Section 8
21 Program operates under its applicable standards and
22 regulations. We identified various procedures and controls
23 related to the processing and maintenance of documentation
24 that should be strengthened, as noted in the audit report.

25 Management has agreed with our recommendations and will be

1 implementing procedures to meet them.

2 So are there any questions about the Section 8
3 audit report?

4 (No response.)

5 MS. THOMASON: All right. If there are no
6 questions on that, our final report item will be the status
7 on the internal and external audit activities.

8 Mr. Scott.

9 MR. SCOTT: Okay. The State Auditor's Office
10 has started on their annual audit of the TDHCA financial
11 statements. They will issue reports in December on the
12 basic financial statements, as well as the bonds. They
13 will also issue two reports on informational reports that
14 TDHCA prepares for HUD.

15 One of the reports addresses the internal
16 controls over the preparation of the reports. The other
17 one addresses whether the HUD reports are kept in a manner
18 that is consistent with the basic financial statements.
19 Also, the Department of Energy is conducting a desk review
20 of the Low Income Energy Assistance Program.

21 So the status of the Internal Audit Plan; we
22 have completed all the internal audits on the 2020 plan
23 except for the audit of the continuity of operations plan,
24 or the COOP, and with the caveat of the inspections that we
25 need to do more work on. The COOP audit is almost

1 complete. And in December I will present the Fiscal Year
2 2021 Internal Audit Plan for approval.

3 So that concludes my presentation. I'll be
4 happy to answer any questions there may be on the external
5 audits or the status of the Internal Audit Plan.

6 MS. THOMASON: Thank you, Mark.

7 Any questions?

8 MR. VASQUEZ: Are you going to be able to send
9 us a draft of the 2021 Internal Audit Plan ahead of time?

10 MR. SCOTT: Yes. So what I will do is I will
11 send a copy of the risk assessment where we rank all the
12 auditable units, and on the horizontal axis we have the
13 risk attributes, so you can see how we rank them.

14 It's not an exact science, but if we send it to
15 you and there's something that either you think is rated
16 too low or too high or you think we messed up on the risk
17 attributes, you can let us know and we can address it.

18 MR. VASQUEZ: Great. We get to see that ahead
19 of time rather than hitting you on the December meeting
20 saying no changes.

21 MR. SCOTT: Right.

22 MS. THOMASON: Any other questions?

23 (No response.)

24 MS. THOMASON: And Mark, I know that you and
25 your team work really hard and that you and the Department

1 have had a lot of challenges the last six months, and so I
2 understand Mr. Vasquez's concerns, and I share that, but I
3 know we're kind of living in a different world with a lot
4 of restrictions we didn't have six months ago, so I know
5 we'll be able to hopefully catch up with the physical
6 inspections as life gets back to somewhat normal.

7 MR. SCOTT: Yes. We'll do everything we can to
8 do that.

9 MR. BRADEN: It's hard to have a physical audit
10 when you can't go physically there.

11 MR. SCOTT: Yes. It's almost like you're flying
12 blind. Especially on inspections, you have to go actually
13 look at what it is.

14 MS. THOMASON: And I guess if you leaned on
15 someone to do that for you, like we're doing this, they
16 could only show you the good parts, so that would be
17 challenging.

18 MR. VASQUEZ: I just want to make sure, again,
19 fully recognizing the difficulty, if not impossibility, of
20 doing physical inspections nowadays, I still want this to
21 get put back in the circle when we come back to it in four
22 years from now or something.

23 MR. SCOTT: I totally agree. I was very
24 uncomfortable with the fact that, you know, we have to
25 issue an audit report when we haven't actually done a walk-

1 through of the process, you know, actually see what they
2 inspect and how they look.

3 MS. THOMASON: Any other comments or questions?

4 (No response.)

5 MS. THOMASON: All right. Then at 8:15, this
6 concludes our September 3, 2020, meeting of the Audit and
7 Finance Committee meeting, and we will see you guys
8 shortly.

9 (Whereupon, at 8:15 a.m., the meeting was
10 adjourned.)

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24

C E R T I F I C A T E

MEETING OF: TDHCA Finance & Audit Committee

LOCATION: via GoToWebinar

DATE: September 3, 2020

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 8, 2020

(Transcriber)

On the Record Reporting
7703 N. Lamar Blvd., #515
Austin, Texas 78752