

Texas Department of Housing and Community Affairs

Audit Committee

Waller Creek Office Building  
507 Sabine Street, Room 437  
Austin, Texas

Friday, March 24, 2000  
8:30 a.m.

COMMITTEE MEMBERS:

C. KENT CONINE, CHAIR  
MARSHA L. WILLIAMS  
JAMES DAROSS

ALSO PRESENT:

DAISY STINER, EXECUTIVE DIRECTOR  
DR. FLORITA BELL GRIFFIN, TDHCA BOARD  
DAVID GAINES, DIRECTOR OF INTERNAL AUDIT

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P R O C E E D I N G S

1  
2 MR. CONINE: It's 8:30 and this is the audit  
3 committee for the Texas Department for Housing and  
4 Community Affairs on Friday, March 24.

5 We'll call roll. Kent Conine, chair, is  
6 present.

7 Jim Daross?

8 MR. DAROSS: Present.

9 MR. CONINE: Marsha Williams?

10 MS. WILLIAMS: Here.

11 MR. CONINE: We've got three. That constitutes  
12 a quorum.

13 Get over to my agenda right quick. Is there  
14 any public comment today? We've got -- I've got a couple  
15 of witness affirmation forms from both Mike O'Brien and  
16 Milo Martinez.

17 I assume you guys want to talk during the  
18 presentation as opposed to now. Is that appropriate?

19 MR. O'BRIEN: Yes, sir.

20 MR. CONINE: Okay. Any other public comment?  
21 I told Bill this morning we'll see who the hard core are  
22 that show up for a Friday morning audit committee  
23 meeting --

24 MS. WILLIAMS: At 8:30.

25 MR. CONINE: Hard core, right here.

1           Okay. We'll close public comments, seeing none  
2 other than those that I have in my hand.

3           Action items, Presentation and discussion and  
4 possible approval of minutes from the audit committee  
5 meeting of October 8, 1999, under tab 1 of your notebook.

6           MR. DAROSS: I move the minutes be approved as  
7 submitted.

8           MR. CONINE: Motion to approve the minutes. Is  
9 there a second?

10          MS. WILLIAMS: Since I was absent for part of  
11 the meeting, I don't think I should second.

12          MR. CONINE: I guess I'd better second that.  
13 Any other discussion? All those in favor say  
14 aye.

15          (A chorus of ayes.)

16          MR. CONINE: All opposed? So approved.

17          Next under report items, Discussion of internal  
18 audit considerations, HOME Program, subrecipient  
19 monitoring report, Mr. David Gaines. Good morning.

20          MR. GAINES: Good morning, Chair, members of  
21 the committee. My names's David Gaines, director of  
22 internal audit, for the record.

23          I'd like to first just start off by thanking  
24 you for taking the time to come in this morning for this  
25 audit committee meeting. I think it really demonstrates

1 your strong commitment for the department's overall  
2 control environment and support for the audit function  
3 itself.

4 That's demonstrated by taking the extra time  
5 and effort. And we could have -- since we were unable to  
6 do this last week, I think this is a strong statement by  
7 taking the extra time and effort to do it this week.

8 If you'll turn to report item A -- that's the  
9 internal audit report on the HOME subrecipient monitoring  
10 function -- and the objectives of the audit were to assess  
11 HOME's subrecipient monitoring activities and tools and  
12 whether they're adequate to ensure compliance with federal  
13 awards -- excuse me -- to ensure that federal awards are  
14 used for authorized purposes in compliance with laws,  
15 regulations, and the provisions of contracts and grant  
16 agreements, and that performance goals are achieved.

17 The goals include an assessment of adequacy. A  
18 process is used to follow up and dispose of recorded  
19 issues and to assess the adequacy of reporting the results  
20 of monitoring activities to the proper levels of  
21 department management between department programs and to  
22 the subrecipients themselves.

23 The first page behind tab A, in the first  
24 paragraph, discusses the department's responsibilities.  
25 And basically, the department should have controls in

1 place to provide reasonable assurance of compliance with  
2 federal laws, regulations, and program requirements.

3 This includes monitoring subrecipients as  
4 necessary, to ensure that federal awards are used for  
5 authorized purposes in compliance with laws, regulations,  
6 and the provisions of contracts and grant agreements and  
7 that performance goals are achieved.

8 If you turn to page 1 of 12, I have an  
9 executive summary there which is basically our overall  
10 summarized conclusions of our project. And in summary,  
11 basically, significant improvements are needed to ensure  
12 the effectiveness of the HOME Program, the home monitoring  
13 function.

14 Sufficient resources have not been allocated to  
15 ensure that the monitoring function is effective, and  
16 monitoring tools do not include the procedures necessary  
17 to ensure compliance with relevant laws, regulations, and  
18 contract provisions.

19 Contract performance is not formally evaluated  
20 and acted on during the contract period, and the reporting  
21 process is not adequate to ensure that monitoring results  
22 are complete, accurate, timely, and reported to the  
23 individuals or parties that are affected.

24 Processes for following up on reported  
25 deficiencies are not sufficient to ensure appropriate

1 corrective action is taken in a timely fashion.

2           Additionally, the HOME standard operating  
3 policies and procedures are not detailed enough to ensure  
4 the quality of the monitoring function or the related  
5 documentation. Operating policy and procedures are  
6 lacking altogether for some aspects of the HOME monitoring  
7 function.

8           The balance of the report is really the details  
9 supporting that, the conditions we noted, the support for  
10 those conclusions, and I hadn't planned on walking through  
11 the details of the report. Of course, I'll be glad to if  
12 you choose, or I'll be glad to respond to any questions  
13 you might have.

14           MR. CONINE: Okay. I guess I'll open it up now  
15 for the committee to -- there's quite a bit of meat in  
16 this little report, and I'm sure there's some questions  
17 from everybody.

18           Go ahead, Jim.

19           MR. DAROSS:

20           Well, I don't really have any questions so much as  
21 comments. I mean, this was one of the most appalling  
22 reports I've ever read. Essentially, it sounded like what  
23 you're saying is the system is just not working to ensure  
24 compliance almost not at all.

25           I mean, it looked to me like there were

1 deficiencies you noted in every single aspect of the  
2 compliance program in this area.

3 MR. GAINES: All areas that we considered  
4 within the scope of our review, that's correct.

5 MR. DAROSS: Now, the scope -- the review is  
6 concluded October -- or August 24. Is that correct?

7 MR. GAINES: Yes, sir.

8 MR. DAROSS: And I understand that the staff  
9 has submitted their responses to the report.

10 What is the next step in the process? Are you  
11 going to again review the responses and the corrective  
12 actions that have been taken?

13 MR. GAINES: I've worked with management in  
14 acknowledging their responses. Their responses are  
15 adequate responses. And so what generally happens going  
16 forward is we have a tracking system that tracks prior  
17 audit issues, and so we'll follow up on the status of  
18 this. We try to do that twice a year, every six months.

19 And ever issue that's outstanding, management  
20 will respond to at that time. For those that we consider  
21 especially significant or high risk, we may go in and  
22 independently verify at that time. For the most part,  
23 that doesn't necessarily happen.

24 If management says they've implemented it, we  
25 acknowledge that on our tracking system, and it's in a

1 holding pattern until we either go back in and do another  
2 job in that area and then we'll independently follow up,  
3 or in some cases, depending on the significance, that may  
4 be out there indefinitely without independent  
5 verification.

6 MR. DAROSS: And part of the problem appeared  
7 to me to be a personnel issue, where we had compliance  
8 people who are designated as compliance people performing  
9 significantly other functions than compliance functions.  
10 I mean, is that an FTE problem or is that just a problem  
11 of job descriptions?

12 MR. GAINES: When you start asking FTE  
13 problems, that's a real difficult question, because you  
14 really have to go in and do a workload analysis. I'm not  
15 necessarily sure -- we're short of FTEs. It may be a  
16 matter of allocated the FTEs to the monitoring function.

17 MR. DAROSS: Yes. We need to do a lot better  
18 than inspecting 10 percent of the HOME Programs as they go  
19 along. I mean, that -- it's just got to change a lot.

20 MR. CONINE: Marsha?

21 MS. WILLIAMS: I think Jim's basically said  
22 how -- kind of what my conclusion -- I'm sorry.

23 Mr. Daross basically stated what I thought, as  
24 well.

25 MR. CONINE: Daisy, would you -- I know we've

1 had a lot of personnel fruit basket turnover in the HOME  
2 Program over the last several years, and most of the  
3 people probably this is targeted at aren't sitting here  
4 listening to us today.

5 But can you kind of give us your historical  
6 perspective and give us a perspective of how much emphasis  
7 you personally are going to place in the resolution of  
8 some of these recommendations over the next several  
9 months?

10 MS. STINER: Yes, sir. Of course. Just  
11 responding to the issue of personnel, one of the things  
12 that we have instituted over the last several weeks, as  
13 you will note in here, is a job audit of all the positions  
14 in the HOME Program.

15 The HOME Program, as you know, is a program  
16 that emphasizes production, so it appears the trends over  
17 the years have been to employ staff who have been strong  
18 in those areas. At one time, you may recall that the  
19 department had problems getting the funds out. So it  
20 appears just with what happens in terms of how you respond  
21 to whatever a crisis at a particular time, you staff with  
22 expertise and experience in those areas.

23 So we have a lot of people that were dedicated  
24 to production. Of course, as you all know in a management  
25 function, in addition to production -- which is quite

1 critical and important and sometimes primary -- not a lot  
2 of attention has been paid to the areas that is equally as  
3 important and significant for a successful operation of a  
4 system.

5 So what we have done as a first step is to do  
6 an evaluation of each position in the HOME Program. One  
7 of the outstanding audit issues with HUD itself is that  
8 they suggested that we dedicate more FTEs to the HOME  
9 Program. That is fine, but all of that has to be weighed  
10 with all the needs across the board for the department.

11 We're hoping after this audit is complete and  
12 evaluated, we will be able to either furlough some FTEs or  
13 put ourselves in a position where we can make a good  
14 justification to the LBB and the GBO, which has a  
15 mechanism for increasing -- requesting FTEs. But, of  
16 course, you have to have that justified.

17 One of the reasons that I've been hesitant  
18 about moving forward on such a request is that we haven't  
19 completed a department-wide audit of FTEs. It's one thing  
20 to say we need FTEs in a HOME Program. It's quite another  
21 to make a reasoned justification if we haven't completed a  
22 department-wide audit.

23 So I've been working with the director of human  
24 resources, along with director of the HOME Program to get  
25 that audit completed, first in the HOME Program and a

1 couple other divisions across the board.

2           Once we're at a point where we have completed a  
3 department-wide audit of job responsibilities and what  
4 we're facing with that FTE cap, we would be in a better  
5 position to make a waiver if it's warranted.

6           But for the HOME Program specifically, where  
7 we've had most of our problems in terms of monitoring and  
8 correcting outstanding audits, we are just about there. I  
9 think you're seeing a management report. I do know from  
10 talking to the director of the program and the human  
11 resource director that the job audit has been complete, in  
12 the process of evaluating. We will have some latitude in  
13 assigning FTEs to that.

14           You will also note that a bunch of criticism  
15 that I've received over the last several months is that  
16 I've kept some FTE positions vacant. That has been  
17 deliberate. That has been reasoned. That -- when we find  
18 that we may not be able to hire the higher-level  
19 management positions that we've been holding vacant, those  
20 may need to be dedicated to the program level.

21           So it's a balancing act. It's a matter of  
22 determining, you know, what you have, what those skills  
23 levels are. I just want to go on record saying every  
24 staff person in the department makes a great contribution,  
25 but we have just a little overbalance in some areas.

1           We are very, very heavy on production. We're  
2 very, very heavy on staff who has experience and expertise  
3 to make things happen in terms of putting affordable  
4 housing on the ground, in terms of delivering community  
5 services, in terms of delivering community development  
6 products.

7           What we don't have and haven't paid, I think,  
8 the proper focus to is making sure that we have a balanced  
9 attention to all functions of a system or of an  
10 organization that make it perform well.

11           Some of those areas, of course, is compliance,  
12 making sure that the funds that we receive from the  
13 Federal Government are properly applied and that the  
14 subrecipients who we depend on to deliver our products  
15 also are given the guidance that they need to make sure  
16 that they remain in conformance.

17           So we are -- I would just say my -- Mr. Conine,  
18 I think you heard me ask -- you asked me, you know,  
19 personally, what I plan to do, and that's what I plan to  
20 do. I plan to make sure that we have a balanced approach  
21 to getting our services delivered; that is not only from  
22 the production side, but that's from conforming with the  
23 compliance issues; that's from making sure we do proper  
24 evaluations -- we have checks and balances. And I think  
25 we are headed in that direction.

1           It has not been easy to devote, you know, a  
2 balanced amount of FTEs and time to this area, but it is  
3 very important to me. I think with the addition of a  
4 manager in the HOME Program -- pardon me -- a director in  
5 the HOME Program and a -- who has come in and, I think,  
6 put some mechanism in place for us to get there, we will  
7 improve in that area.

8           I think that's all. I answered both of your  
9 questions.

10           MR. CONINE: Is there a -- in the way of an  
11 organizational chart for the department, I'm sure? But is  
12 there an organizational chart for the HOME Program  
13 Division that you could supply us with so we could take a  
14 look at, I guess, more specifically what some of the job  
15 titles are and some -- how many regional coordinators we  
16 have and -- but try to familiarize at least --

17           MS. STINER: Oh, sure.

18           MR. CONINE: -- ourselves with --

19           MS. STINER: Sure.

20           MR. CONINE: -- a little more of the thought  
21 process of the structure we currently have in place?

22           MS. STINER: Yes, sir. We'll be happy to  
23 provide that to you. And what you'll find is that there's  
24 been an overemphasis on -- there has been an emphasis on  
25 what functions of a particular division have taken

1 precedence. And you'll see that we have -- I think it's  
2 five or six FTEs that's dedicated to program -- I mean,  
3 program -- what we call coordinators.

4 That's the production side that monitors,  
5 you'll find, two positions, along with the supervisor of  
6 that. But we'll be happy to provide that to you.

7 And if you'll recall, when I described the job  
8 performance -- I mean, the job audits that we're doing in  
9 that area, that was the outcome we expected, to find out  
10 where we needed to place more emphasis, whether we needed  
11 to shift some of those positions to the monitoring  
12 function or whether or not some of the functions of the  
13 monitoring portion of HOME need to be incorporated into  
14 the broader department, compliance department.

15 But we will certainly provide you an  
16 organizational chart of where we are, which would give you  
17 a snapshot, and try to keep you informed of where we are  
18 moving to as a result of the audit of those positions.

19 MR. CONINE: Any other questions from the  
20 committee members on the HOME Program subrecipient  
21 monitoring?

22 Do you have any other comments, David, relative  
23 to this report?

24 MR. GAINES: A final comment. I'd like to  
25 point out the distribution that is required of us, and the

1 report's distributed, of course, to the department's  
2 governing board, to the governor's office on budget and  
3 planning, the state auditor's office, and the legislative  
4 budget board.

5 MR. CONINE: Most of the -- I notice most of  
6 the target dates in here for management's implementation  
7 of the recommendations in this report are in June -- first  
8 part of June, maybe, with some slight variations.

9 This is almost the first of April, I guess, and  
10 I would suspect that -- if we could get a copy of the  
11 organizational chart fairly quickly and then we'll have  
12 another committee meeting in June just to kind of update  
13 and see where we are relative to this process.

14 And I don't think we need anything prior to  
15 that time other than the general knowledge and awareness  
16 that we've got a problem here that we need to make sure  
17 gets corrected and do the best we can. And we'll check in  
18 on it in June sometime, if that's all right with the rest  
19 of the committee.

20 MR. DAROSS: All right.

21 MR. CONINE: Okay. Moving on to the status of  
22 prior audit issues. David?

23 MR. GAINES: Yes. That's tab B, and you may  
24 have a board book that says, To be provided. I believe,  
25 Mr. Daross, you found yours. If I may, I'll update

1 [indiscernible] here.

2 As the chair mentioned, this is summary of  
3 status of prior audit issues. This is a report that's  
4 been provided to you previously and will be provided to  
5 you going forward on a semiannual basis.

6 It's been enhanced since the last time it was  
7 provided to you to include a history of the changes in  
8 status since report date and management's target date for  
9 resolving the issues. And so you can see by looking at  
10 the summary that it's a high level summary of the  
11 individual issues and the status as it's progressing,  
12 target dates for completion.

13 It's also been enhanced to provide detail for  
14 any particular issue. And I provided you a couple of  
15 examples, being issue reference 87 and 115. So if you  
16 look at audit reference 87 on page 4 of 7 of your summary,  
17 if there was particular questions about that, we could go  
18 to the detailed audit finding and changes in status.

19 And what that will provide you is the original  
20 audit finding and management's responses that was  
21 originally included in the report and changes in status  
22 since that point in time with any of management's comments  
23 relevant to the subject with their planned implementation  
24 dates.

25 My intention was not so much to provide these

1 on a regular basis. I have no intentions of providing  
2 them at all, unless there's a particular issue you would  
3 like to discuss in detail. And then, of course, we can  
4 discuss those in detail, or if there's particular issues  
5 you just would like the detail on, I can provide that at  
6 any time.

7 MR. CONINE: Any comments from the committee  
8 members?

9 I've got one. This is a little bit much to  
10 handle when it gets passed out --

11 MR. GAINES: When what?

12 MR. CONINE: When it gets passed out 30 minutes  
13 ago.

14 MR. GAINES: I do recognize that. This  
15 particular report -- you may recall at the last meeting, I  
16 wasn't able to provide it to you. I've been going through  
17 the enhancements I referred to.

18 MR. CONINE: Uh-huh.

19 MR. GAINES: I felt, in fairness to management,  
20 I needed them -- needed to afford them plenty of time to  
21 review the history up to this point, since it's never  
22 really been reported in the past.

23 In the past, they'd give me status updates that  
24 would go in my file and I was aware of them, but no one  
25 else was. And I felt like, in fairness, I had to

1 distribute back out to management. That process took much  
2 longer than I was anticipating to get their feedback and  
3 incorporate it into the report.

4           Going forward, I can certainly appreciate that  
5 comment, though.

6           MR. CONINE: Well, I would -- in order for us  
7 not to try to miss anything or to at least keep track of  
8 everything that -- if there's a future date that  
9 management's targeting and that date may be three or four  
10 months from whenever the last report was and it gets kind  
11 of lost in the shuffle and so forth, probably what we  
12 ought to do with -- in light of this is to take it home,  
13 look at it, study it.

14           If there's any questions that we as committee  
15 members have, we can follow up either independently, or we  
16 can follow up in June at our next audit committee meeting,  
17 any specific questions we might have.

18           MR. GAINES: No, I'm glad you brought that up.  
19           One of my goals and intentions is for each of the audit  
20 committee meetings when this is presented, which is twice  
21 a year, is to solicit and, in coordination with the chair  
22 and the executive director, identify those two or three  
23 significant, old, outstanding issues that don't appear to  
24 be resolved or getting resolved, and those will be  
25 discussed in detail.

1           Of course, management will be informed that  
2 they probably need to be present to discuss the  
3 difficulties they're having in moving forward with those.

4           MR. CONINE: Are there any of those such issues  
5 for this report?

6           MR. GAINES: Yes, sir. Absolutely. There are.  
7 However, this is kind of what I consider the threshold of  
8 moving forward. I wanted to lay this out for everyone to  
9 be aware of what it is.

10          MR. CONINE: Okay.

11          MR. GAINES: I hadn't made any particular plans  
12 to discuss particular issues this time around, because I  
13 believe the approach to that is we need to look at these  
14 changes in status -- not me in the isolation, but as a  
15 team --

16          MR. CONINE: Right.

17          MR. GAINES: -- and focus. And of course, I  
18 can direct you to where I believe the more significant  
19 ones are, but I'd like to be in general agreement with  
20 that before we go into an audit committee meeting; plan  
21 adequately; let management be informed so they can discuss  
22 the difficulties they're having.

23          MR. CONINE: Is there anything that's on this  
24 report that needs to be highlighted to us today versus  
25 waiting, say, until June at our next meeting when we can

1 have management and everybody up to full speed that we're  
2 going to focus on some of these issues?

3 MR. GAINES: I do believe there's some old  
4 outstanding issues, and you can see that by the numerous  
5 status updates.

6 MR. CONINE: Yes.

7 MR. GAINES: One in particular, I believe, will  
8 be coming to our attention again here soon when the state  
9 auditors releases their report on their recent single  
10 audit, and that's compliance with all the 133, which is  
11 the audits of state and local governments and nonprofit  
12 organizations. This issue's been reported several years  
13 now.

14 MR. CONINE: Where are you? Where are you?

15 MR. GAINES: And, let's see. I'll have to zero  
16 in on that real quick here. (Perusing document.)

17 Okay. It's issue 106, page 4 of 7.

18 And you'll see there's just been two status  
19 updates. That's a little bit misleading, because you'll  
20 notice leading into the summary comment, I indicate that  
21 it's a repeat finding. So rather than have two findings  
22 saying the same thing --

23 MR. CONINE: Right.

24 MR. GAINES: -- it's at least a year older  
25 than it appears here. And this is what we've been

1 discussing today, the department's monitoring  
2 responsibilities.

3 MR. CONINE: Okay.

4 MR. GAINES: And so I believe that will be  
5 coming back up in state auditor's reports soon to be  
6 released.

7 MR. CONINE: Okay. Any other issues on this  
8 report that we need to handle today versus, say, in June?

9 MR. GAINES: I really don't believe we're in a  
10 position to handle any today. But --

11 MR. CONINE: Okay. Any other comments from the  
12 committee members?

13 MS. WILLIAMS: I'm sure -- in a lot of the  
14 information that's been provided to me that I received it,  
15 but could I get a copy of Circular A-133?

16 MR. GAINES: Yes, ma'am.

17 MR. CONINE: Ms. Stiner, any comments from  
18 management on this, on the status update?

19 MS. STINER: No, sir. Not beyond what David  
20 has relayed, is that for a Circular A-133 to meet all the  
21 general requirements of all federal programs, what we have  
22 discussed was building a risk assessment model for all  
23 programs across the board that has started with the  
24 compliance division, and -- according to information I've  
25 got, and it can be replicated across the board for all

1 programs.

2 So as we work toward the implementation across  
3 the program, all program areas, we can report back to you  
4 on how that's going.

5 But there are some general requirements that  
6 are required on the A-133 that -- I'll just stop there.  
7 David can tell you what all those are. Those have been  
8 communicated to the departments that's -- divisions that's  
9 responsible for federal programs, and there is a risk  
10 assessment model that IS is working with the compliance  
11 department to build for the compliance section.

12 As I said, that's -- I'm told that we can  
13 replicate that across the board. That assignment for  
14 ensuring that we have a department-wide focus on it has  
15 been given to [indiscernible], a position -- deputy  
16 executive director, for a high level of attention to it to  
17 make sure that it is implemented.

18 MR. GAINES: I would like to just point out in  
19 working through this and enhancing it to provide better  
20 summary information so you can really get a feel for  
21 what's transpired, I've worked with Daisy in various  
22 versions of this. She's been real supportive.

23 I think a lot of this is kind of news to  
24 Executive themselves as far as being old and outstanding.  
25 It's just hard to keep up with when you've got the issue

1 being repeated next year, and sometimes you lose track of  
2 how long it's been around. So I think this will serve us  
3 all well.

4 MR. DAROSS: I'd like a copy of Circular 133-A,  
5 also.

6 MR. GAINES: Yes, sir.

7 MR. CONINE: Okay. If there are no other  
8 comments on the -- on that issue, we'll go to the summary  
9 status of internal/external audits.

10 Mr. Gaines?

11 MR. GAINES: Behind tab C, just the summary  
12 that you get on a recurring basis. A couple of issues I'd  
13 like to bring to your consideration is the sunset review;  
14 the first draft report's expected this Monday, the 27th.

15 The next issue I'd like to touch on real  
16 quickly is the CMIS issue under internal audit reviews.  
17 This was Client Assistance Project that we took on when we  
18 recognized -- well, to begin with, HUD has had repeated  
19 comments towards us with different errors on the -- on  
20 their information system that the HOME Program uses, Cash  
21 Management Information System.

22 HOME staff has been working on this for an  
23 extended period of time. When we recognized HUD was  
24 expecting the department to convert to a new system  
25 June -- excuse me -- July 1 of this year and informed us

1 we needed all these errors corrected, Internal Audit  
2 decided we might ought to take a look to see why these  
3 problems continue on.

4           Based on that review, we did come up with  
5 several recommendations, and those related to establishing  
6 control procedures over the data input to preclude the  
7 recurrence of additional errors into the system,  
8 accumulate and classify the types of errors that are being  
9 identified in their resolution of the problems -- once you  
10 identify them and classify them, you can start determining  
11 the cause and develop policies and procedures to preclude  
12 their recurrence, and then to perform a high-level  
13 reconciliation between the CMIS system and the  
14 department's accounting system to assess if the linkages  
15 between the two systems that are designed to keep the  
16 systems in agreement are, in fact, working as management  
17 believes they are.

18           There's linkages that should keep the systems  
19 in place. We're suggesting a high-level, bottom-dollar  
20 reconciliation of the two systems to make sure we're  
21 reasonably close, since this has been going on since the  
22 early 90s.

23           And management's been receptive to those  
24 recommendations. I really don't believe Internal Audit  
25 has the resources to provide additional assistance in this

1 respect. We have no further plans or procedures in mind,  
2 other than ongoing monitoring.

3 Just for your information, the current status  
4 of the system, based on HOME staff, as of February 24, is  
5 that 87 percent of the issues have been resolved. That's  
6 up from 60 percent in December.

7 Of the 1400 line items on CMIS that need  
8 attention, 95 percent have been identified as clerical-  
9 type errors rather than actual errors. And the target  
10 date for completion is May 30 of 2000.

11 MR. CONINE: Okay.

12 MR. GAINES: Finally, I just would like to  
13 highlight note 1, and what I'm doing here is proposing to  
14 cancel the planned subrecipient monitoring reviews of the  
15 Housing Trust Fund in Section 8.

16 The internal auditing division believes that  
17 the department's programs need to consider and incorporate  
18 in their monitoring policies and procedures issues  
19 relating to the requirements of OMB-A-133, which is,  
20 again, the federal regulations of audits of state and  
21 local governments and nonprofits, and the uniform grants  
22 management system, which is a publication by the  
23 governor's office of budget and planning.

24 We also believe that the department needs to  
25 consider the results of the HOME report we just released,

1 whether similar circumstances exist in other programs and,  
2 if so, implement corrective actions when warranted. And  
3 once management is satisfied that they've incorporated  
4 these different criterion, at that point we'll reassess  
5 those audits in connection with our annual audit plan.

6 I believe, at this point, we'd have similar  
7 reports in many respects, and we're in a state of  
8 transition trying to acknowledge some of these previous  
9 considerations that Daisy had mentioned regarding the OMB-  
10 133.

11 MR. CONINE: Jim?

12 MR. DAROSS: Again, just a comment on that. I  
13 read that note and what it sounded to me like you were  
14 saying is you think there may be as many or even more  
15 problems like the ones you found in the HOME Program in  
16 other areas of the department, and you just want to wait  
17 until we get a department-wide review comparing it to the  
18 federal and state guidelines --

19 MR. GAINES: I believe they may be similar.

20 MR. DAROSS: -- then go back in.

21 MR. GAINES: I think maybe the comment, As many  
22 or more, might be an overstatement. The Home and  
23 Housing -- excuse me -- the Housing Trust Fund in Section  
24 8 are much smaller programs with smaller staffs, so they  
25 got bigger challenges just to acknowledge and incorporate

1 this type information.

2           So I feel like everyone's been put on notice  
3 that these are things that we need to deal with as a  
4 department. And I know Executive, in my discussions of  
5 this report with them, have been supportive and, honestly,  
6 I believe, a little bit -- as disturbed about the report  
7 as you all are and maybe not aware of some of the  
8 circumstances that we need to deal with.

9           But I believe at this point we're moving  
10 forward on it, and I'd like to afford the opportunity to  
11 those programs.

12           MS. STINER: Mr. Chair, may I share with the  
13 committee management's response to that --

14           MR. CONINE: Please.

15           MS. STINER: -- and our discussions with Mr.  
16 Gaines? I -- the Housing Trust Fund, as you know, is a  
17 state-run program and A-133 is not applicable. But  
18 certainly, the benefits that we have gained from knowing  
19 where the problems are relative to the federal HOME  
20 Program, we can certainly evaluate that against the  
21 Housing Trust Fund, even though that's not a requirement.

22           I think the same kind of principles relative to  
23 operations, the same kind of principles relative to  
24 monitoring, are applicable for the Housing Trust Fund  
25 Program.

1           That, again, may lend itself to a broader  
2 oversight from the compliance division rather than trying  
3 to staff up the Housing Trust Fund, who, as you know,  
4 until recently has only administered about a million  
5 dollars.

6           I'm not trying to take away -- it's not as  
7 important to administer that program just as well, but we  
8 don't feel that we need to staff up and do the same kind  
9 of evaluation in terms of FTEs.

10           The support that the Housing Trust Fund will  
11 need to ensure that it's in compliance is probably going  
12 to come from the larger oversight of the compliance  
13 division.

14           So I think what we agreed to with David is  
15 rather than going through and doing the same kind of audit  
16 with a set of standards that's not applicable to the trust  
17 fund, we'll wait until we've completed the review of the  
18 HOME Program, which has a higher and stricter standard and  
19 make sure that the trust fund complies with those, even  
20 though it's not a requirement.

21           But at this time, I think it would be  
22 counterproductive and not a good use of David's limited  
23 staff to go through and do that kind of full-blown  
24 evaluation.

25           Relative to Section 8, as you know, that's a

1 program where we use vouchers and certificates, which is a  
2 little different from a direct construction program as a  
3 HOME Program. But the same set of thought processes that  
4 went into thinking that we'll see what we can get out of  
5 HOME and we'll apply it against those two programs, we'll  
6 do the same thing for Section 8.

7           Again, with the staffing level in the Section 8  
8 program, we don't expect -- well, I wouldn't expect -- I  
9 don't know what the expectations were before me, but I  
10 don't expect that with the limited staff in Section 8 that  
11 you'll have experts down there who could take on these  
12 particular functions.

13           That will probably be something that we'll move  
14 up and assign to the department-wide compliance function  
15 that we have for other programs right now.

16           But again, we're in the process of this. I  
17 want to just tell you, as I've told David and his staff, I  
18 think this is a healthy process. I think a lot of time, a  
19 lot of attention is paid to production and just getting  
20 things out there and on the ground for our beneficiaries  
21 to use.

22           But we're held to a standard where we have to  
23 make good use, and we have a fiduciary responsibility to  
24 make sure that we're fiscally -- as fiscally sound and as  
25 fiscally successful as we are in getting housing on the

1 ground.

2           So we have began to look at that. We have  
3 begun to put in place a mechanism that we think will be  
4 responsive to this. And I just wanted to -- I think this  
5 is a good juncture to tell you as the committee and the  
6 board who David reports to that he's been very essential  
7 in helping us to find this. I think, as a department-wide  
8 basis, we've had that absent in terms of having that kind  
9 of internal control.

10           So working together with you, this committee,  
11 and the board and internal audit, we think we'll get  
12 there. We know that we have, with Ms. Cedillo now and  
13 working with Ms. Morris in the HOME Program, we know we're  
14 there, and we think once that's completed it will be  
15 applicable and we can apply it across the board to the  
16 Housing Trust Fund and Section 8 program.

17           So I told David that he'll introduce it and I  
18 get to add my two cents' worth, because we had an in-depth  
19 discussion about what would be the benefits of doing that.

20           So we're hopeful that you can allow us to do that.

21           And, of course, he will be reporting back to  
22 you about how successful we are, once we have the results  
23 of the HOME Program, in applying that across the Housing  
24 Trust Fund and the Section 8 program.

25           We're not asking him to not look at it and step

1 away from it and not pay attention to it; we're just  
2 agreeing with him that it's probably not the most  
3 expedient thing to do right now, to do a full-blown audit  
4 of those two areas.

5 MR. DAROSS: I agree that the standard we ought  
6 to look at is not just complying with the minimum that's  
7 required by the regulations, but going way beyond that.

8 MR. GAINES: I'd also just like to point out  
9 that the state requirements are almost a carbon copy of  
10 the Circular A-133 also.

11 I'd like to reemphasize a comment Daisy said  
12 also, and that's this was my proposal to her and to you  
13 rather than Daisy's proposal to me, and I think you need  
14 to acknowledge that.

15 MR. CONINE: What was the time frame allocated  
16 in this year's plan to do both of these audits for your  
17 staff?

18 MR. GAINES: I believe each one was allocated  
19 400 hours.

20 MR. CONINE: Give me a -- convert that to me.  
21 It's a couple months or --

22 MR. GAINES: Well, let's see if I can do my  
23 arithmetic here.

24 MR. DAROSS: Ten weeks, two and a half months.

25 MS. WILLIAMS: That would be ten weeks.

1 MR. CONINE: Two and a half months?

2 MR. GAINES: We usually have one --

3 MR. CONINE: But that's one person.

4 MR. GAINES: -- person dedicated full time to  
5 the project. And so for the most part, you're talking  
6 about 80 percent of 160 hours a month.

7 MR. CONINE: Is there -- aside from the full-  
8 blown audit that you had planned in both of these areas,  
9 is there a, for lack of a better word, a spot check you  
10 can go do, especially related to the Housing Trust Fund,  
11 and report back in June maybe with a briefing letter back  
12 to the committee or something along those lines as opposed  
13 to a full-blown audit?

14 MR. GAINES: I believe if the management of  
15 HOME recognizes this is something we want to do between  
16 now and June, you can make a review or an audit as focused  
17 as you want to, as -- restrict your scope to the extent  
18 you need to to fit your time frame.

19 And so if we had particular questions, such as  
20 "Do the monitoring tools consider the requirements?" you  
21 can answer that pretty easy. "Are they being applied  
22 properly?" takes a little bit more time, but it's  
23 something you could have a real restricted scope on and  
24 look at.

25 MR. CONINE: I mean, I can appreciate the

1 comments of fixing one will probably fix the other. On  
2 the other hand, I know there's a lot of eyes looking at  
3 the Housing Trust Fund from a statewide perspective, and I  
4 think it's incumbent upon us to make sure we, you know,  
5 run that program -- especially with the growth in it here  
6 recently -- as efficiently as possible.

7           And instead of saying that we're just going to  
8 put those two audits on hold and talk about them in later  
9 life, maybe it's best just to reevaluate those in June and  
10 to have an update from both of y'all's perspective on  
11 what's happening in those two program areas over the next  
12 couple of months to see if we may want to replan to do  
13 that audit in the fall, let's say, as opposed to the  
14 spring or some other time. Is that reasonable?

15           MR. GAINES: I'd say that's certainly  
16 reasonable. We prepare our annual audit plan in the  
17 summer, so at that time I would be trying to reassess.  
18 That's a difficult process, because there's so many areas  
19 to consider, and I'm relying on management, oftentimes, to  
20 provide the information I need and, of course, they have  
21 their workloads.

22           But inherent in that process, I'd be  
23 reconsidering it. But I could go beyond mere  
24 reconsideration and do a little bit more of a developing  
25 and understanding of current processes. And based upon

1 that understanding, we'd be in a much better position to  
2 assess the need to move forward or not.

3 MR. CONINE: Okay. Then we'll -- I guess -- I  
4 assume the committee is in agreement. We'll take the  
5 advice of your recommendations and maybe take another look  
6 at it in June to kind of see where we are relative to --

7 I mean, to me, it's just -- you get the HOME  
8 Program report and it's just all this stuff, and then  
9 we're supposed to look at two others and we decide not to,  
10 because we're going to focus on this other one. I want to  
11 make sure we just don't lose it in the shuffle.

12 Is that okay with the rest of the committee?

13 MR. DAROSS: Yes. That's fine.

14 MS. WILLIAMS: Uh-huh.

15 MR. CONINE: Okay. Any other issues relative  
16 to internal audits?

17 MR. GAINES: No, sir.

18 MR. CONINE: Moving on to the discussion of  
19 external audit reports from the general purpose financial  
20 statements, year ended August 31, 1999, we have Mr.  
21 O'Brien.

22 MR. O'BRIEN: Good morning. I'm Mike O'Brien  
23 with KPMG here to report on the external audit. Again  
24 this year, the team is comprised of my firm, KPMG, and  
25 Martinez Mendoza by Milo Martinez, who will report

1 momentarily.

2           The -- we basically do a joint audit. We both  
3 sign the opinions on all of the reports issued. It's  
4 basically a 50-50-type joint venture.

5           The focus of these audits that we're going to  
6 discuss this morning is financial statement presentation,  
7 basically. We're auditing the financial statements that  
8 the department issues which go to the state comptroller's  
9 office for inclusion in the statewide financial  
10 statements, also the financial statements that the  
11 department issues to the bond holders and bond trustees.

12           So it's really geared toward accounting  
13 principles and policies and disclosures in the financial  
14 statements.

15           KPMG focuses on the Revenue Bond Enterprise  
16 Fund, which is all of the bond programs. How we allocate  
17 the work, Martinez Mendoza primarily handles the rest of  
18 the agency, and then we review each other's work in order  
19 that we can all sign off on each other's procedures.

20           One change in the audit focus this year is that  
21 we're no longer doing the federal audit, the A-133 audit.

22           The state auditor wanted to do that this year, and they  
23 have the authority to do that. So they're doing the  
24 federal audit work, so we will not be reporting on that  
25 today.

1           What I'm covering is tab F and G, which is the  
2 Revenue Bond Enterprise Fund, and let me just give you a  
3 little bit of information. The reason why you have a  
4 separate audit report on the Revenue Bond Enterprise Fund  
5 is to comply with bond covenants.

6           There's bond covenants that require separate  
7 financial reporting on that activity that goes to the bond  
8 holders and bond trustees.

9           Tab F is the report for the audit committee,  
10 and this, again, just covers Revenue Bond Enterprise Fund.

11          And I'll just say that the audit was very smooth again  
12 this year. We didn't have any audit adjustments. There  
13 weren't any disputes or disagreement with management over  
14 any accounting or financial reporting matters.

15          There weren't any significant or unusual  
16 transactions that we would need to point out. And  
17 that's -- there weren't -- oh, finally, there weren't any  
18 material weaknesses in the internal control structure,  
19 material weaknesses being items that we consider to be of  
20 significance that might cause a material misstatement in  
21 the financial statements.

22          We have issued a management letter, which  
23 Milo's going to cover momentarily, which contains comments  
24 and suggestions over things we noted during the course of  
25 our audit, but they're not material weakness items.

1           Tab G, I believe, is the actual financial  
2 statements. You've seen most of this -- these numbers  
3 already, so I'm not going to go through these in detail,  
4 just to point out that the first page is the auditor's  
5 report. That's what we're responsible for as auditors.  
6 It looks rather lengthy, but it is an unqualified opinion,  
7 which is what you want to have on the financial  
8 statements.

9           Fiscal year 1999 reports still require the year  
10 2000 disclosure information that the Governmental  
11 Accounting Standards Board set forth, so that information  
12 is included in here. We don't audit that, because at the  
13 time we were doing the audit, that was something that may  
14 or may not have happened in the future, you know, and our  
15 audits are basically historical.

16           So that's what that paragraph says, that we  
17 didn't audit it at this point. It's pretty much a moot  
18 point, anyway.

19           Does anybody have any questions on any of that?  
20 Otherwise, I'm going to turn it over to Milo.

21           MR. CONINE: Any questions on -- for Mike on  
22 reports F and G in our folder?

23           MR. DAROSS: Not for KPMG. I'm going to  
24 address a couple questions to Ms. Stiner later, but they  
25 don't really --

1 MR. CONINE: Okay.

2 MR. DAROSS: -- need to be in this meeting.

3 MR. CONINE: Okay.

4 MR. O'BRIEN: Thank you.

5 MR. CONINE: Thank you.

6 MR. MARTINEZ: Good morning, committee members.

7 Milo Martinez with Martinez Mendoza and Garcia. The  
8 items that I'm reporting on are tabs E -- I'm sorry -- E,  
9 D, and H, and I'm going to cover D last.

10 What I'd like to cover first is E, which is  
11 your general purpose financial statements, and that's the  
12 entity-wide audit, and it's got all of your financials.  
13 Mike was focusing in on the Revenue Bond. This includes  
14 all funds, which you've got a couple of other proprietary  
15 funds that are in there besides the revenue bond fund.

16 One difference that you have this year that you  
17 didn't have in there last year is that the financials for  
18 the Texas State Affordable Housing Corporation are no  
19 longer included in the reporting entity because of the  
20 change in the relationship between the two entities and  
21 the boards and all that. So that's a difference from one  
22 year to the next.

23 The opinion on the overall financial  
24 statements, or the general purpose for the agency, is an  
25 unqualified opinion, so it's a clean opinion. And that is

1 on pages -- should be pages 1 and 2 of your -- actually,  
2 it's page number I. And it's, again, a joint report, as  
3 Mike mentioned earlier.

4 Also, what we're mentioning in here is that  
5 the -- not only was our audit done in accordance with  
6 generally accepted auditing standards, we also have to  
7 follow government auditing standards for the agency.

8 And with that, we looked at your internal  
9 controls over financial reporting and your compliance with  
10 certain laws and regulations. One of the foremost that  
11 the state really likes for us to look at is your Public  
12 Funds Investment Act.

13 So we do have a report on pages of this tab on  
14 the last two pages, which are 47 and 48. It's also a  
15 clean opinion. In our testing, we didn't find anything  
16 that you were not materially compliant or that would have  
17 an -- a material impact on your financials. And also, in  
18 looking at your internal controls, we didn't find any  
19 material weaknesses in that area.

20 So other than that, that pretty much covers the  
21 highlights. There is an interrelation [phonetic] to  
22 opinion on other information in the report, the different  
23 combining information for the individual funds, how those  
24 combine in to make up your general purpose financials.  
25 And again, that's an interrelation to unqualified opinion.

1           That covers tab E. If we could go to H, which  
2 is the last, should be the last tab -- it's the letter on  
3 internal control and accounting procedures, which many of  
4 you may hear this referred to as a management letter.

5           We do have a few comments this year. We're  
6 also providing a status on -- for the prior year. On page  
7 2, the first comment deals with internal control over cash  
8 receipts. And in our testing of that area, we believe  
9 that the controls could be strengthened over the incoming  
10 mail and cash receipts that are coming in. So we've  
11 suggested a revision of that and a re-look at that. So  
12 that's what management has responded that they're going to  
13 do to improve controls in that area.

14           In our test of the Public Funds Investment Act,  
15 we did note that the report was lacking maturity dates on  
16 each separate investment that's got a maturity date. And  
17 so, that, I think, has been implemented already and  
18 corrected.

19           There's a requirement under House Bill 1895  
20 that state agencies or departments perform software  
21 license audits. And so again, we're recommending that as  
22 many different applications and changes and conversions  
23 and upgrades have gone through for Y2K and other things  
24 that it would be good to do that, so I think the  
25 department's working on that.

1           There is a significant new accounting  
2 pronouncement that's coming out, and it's Government  
3 Accounting Standards Board Number 34. It's going to make  
4 major changes into how your financial statements are laid  
5 out, how the reporting happens, how you account for fixed  
6 assets and other things.

7           And so you've got a few years to get ready, but  
8 it's going to make -- it's going to require quite a few  
9 resources to get that done. And so we're asking everybody  
10 to get started on it. It would be effective for fiscal  
11 year beginning September 1, 2001, so -- which would be  
12 ending August 31, 2002, is when that would be effective.

13           On the last page, you'll see the status of the  
14 previous year comments and a disposition. We had a  
15 comment on allowance for possible loan losses. That  
16 appeared to be resolved with the changes that we noted  
17 this year. The Y2K issues also appeared to be resolved  
18 and taken care of.

19           On the single audit compliance requirements, we  
20 were not able to report on those, because this year we  
21 were not in charge of the single audit. And you should be  
22 seeing a report coming forth from the state auditor in  
23 regard to those things -- I think you've already seen some  
24 of the status on some of your subrecipient monitoring.

25           So anyway, you'll be -- you either have

1 received other reports or you'll be receiving something  
2 from the state.

3           The last item is tab D, which is another letter  
4 on the conduct of audit. The one that Mike covered dealt  
5 with the bond fund programs. This one deals with agency-  
6 wide. There's not anything in here different than what  
7 you saw in Mike's, other than that our scopes were a  
8 little bit different because we were following government  
9 auditing standards.

10           But the area that is different that I want to  
11 focus on is in the -- on page 3 on significant audit  
12 adjustments. We did have two audit adjustments totaling  
13 \$25 million. And basically, the department goes through a  
14 process each time of -- each year of collecting and  
15 estimating -- they've got certain actual information, and  
16 then the rest is kind of -- is an estimate of what the  
17 subrecipients downstream in your CDBG and HOME. Those are  
18 the significant ones that come up, and that -- for some  
19 reason, they've been an oversight that we caught in the  
20 audit.

21           So anyway, it's totaling that much. Other than  
22 that, everything else, again, was fine -- had full  
23 cooperation, and the audit went very smoothly.

24           At this time, if there's any questions, I'll be  
25 glad to answer any.

1 MR. CONINE: Okay. Any questions, committee?

2 Well, give me the nature, again, a little bit  
3 more on those \$25 million adjustments, those two  
4 adjustments.

5 MR. MARTINEZ: What it is, is your downstream  
6 subrecipients that you pass your money through --

7 MR. CONINE: Right.

8 MR. MARTINEZ: -- they have to report in to you  
9 to tell you, We incurred expenditures through a certain,  
10 to our August 31 date. And sometimes they're slow in  
11 getting it in.

12 They may not get all the invoices to you for  
13 four or five months down the road. So every year, you go  
14 through a process of you pick up what's actual, what you  
15 already know, and then you do some estimating, and some of  
16 the estimating hadn't been completely finished.

17 I think it was just an oversight, but when I  
18 got the numbers -- as soon as I got the numbers, I said,  
19 These can't be the right numbers. We've got to have some  
20 more dollars, just because, historically, I know what your  
21 payables and what your receivables -- and basically, the  
22 transaction that occurs is that you record a payable to  
23 the subrecipient and you record expenditures.

24 But in the same -- then you go back and you  
25 record a receivable from the Feds and recorded revenue.

1 So you're fund balance doesn't wind up changing, because  
2 it's just a -- you record -- you recognize revenue when  
3 you recognize expenditures.

4 But anyway, the receivables and payables needed  
5 to be adjusted and revenue expenditures needed to be  
6 adjusted. And it was because that final adjustment had  
7 not -- and part of it, I think, was also the state  
8 comptroller wanted you to report some things differently  
9 to them and there was a different approach, and I think  
10 that's what caused some of the difficulties there. But  
11 again, they quickly acknowledged, Yes, we -- it was just  
12 an oversight.

13 MR. CONINE: Ms. Stiner, any comments relative  
14 to the management letter?

15 MS. STINER: No, sir, Mr. Conine. None.

16 MR. CONINE: We don't take in a whole lot of  
17 cash, I presume, on a daily basis?

18 MS. STINER: Oh, CFO said that it's all  
19 relative. We take in --

20 MR. DAROSS: Cash cash?

21 MS. STINER: -- cash for like --

22 MR. CONINE: But not cash cash.

23 MS. STINER: -- not in the area that he's  
24 talking about, the cash receipts.

25 Do you want to explain the cash receipts?

1 MR. MARTINEZ: I mean, there's -- we dealt with  
2 the checks. And I called it -- that may have been a  
3 little bit of a misnomer that cash -- that it's cash.

4 MR. DAROSS: Yes.

5 MR. MARTINEZ: But you do have certain days  
6 where you have a lot of activity on loans and things like  
7 that.

8 MS. STINER: Quite a bit.

9 MR. DALLY: Good morning --

10 MR. CONINE: Good morning, Bill.

11 MR. DALLY: -- Chair, Daisy and committee  
12 members. My name is Bill Dally, chief financial officer.

13 The cash receipts that come into the department  
14 are our home improvement and down payment assistant loan  
15 programs and some of our CDBG revolving loan fund  
16 programs. Those will come in from cities and from  
17 borrowers.

18 They will typically come in as either checks or  
19 money orders. My department -- they first come into the  
20 mail room. Those are opened up. The proper segregation  
21 of duties and controls means that two people work together  
22 on opening up that mail and recording those checks. In  
23 order to get some of the mail expedited, there have been  
24 instances where we didn't have -- or the checks are later  
25 logged in.

1           There are two people actually opening up and  
2 actually endorse, you know, for deposit only to the  
3 department's till. And then they're bundled together and  
4 then someone else in the mail group was recording those in  
5 a control log, and then those are brought up to us twice  
6 daily in accounting for deposit at the comptroller's.

7           We're working, and we made in our response that  
8 we're going to adjust those controls and report to you in  
9 April to the improvements. I think that is a short-term  
10 solution.

11           We're also looking longer term at seeing if we  
12 can't use a cash receipts lock box with Safekeeping Trust  
13 Company and see if that won't be -- because it will save  
14 us some FTEs and some time spent with cash receipts when  
15 really what -- the cash would -- they would collect it and  
16 give us the receipts so that we could make deposits and  
17 stuff. The cash would be even deposited more immediately.

18           So I think that's a long-term solution, but  
19 we'll -- short term, we'll address strengthening our  
20 controls in the mail room.

21           MR. CONINE: Okay. Any other comments from the  
22 committee members?

23           All right. We want to thank our external  
24 auditors for once again doing another great job.  
25 Appreciate your help and support and analysis of how we do

1 business here at the department. Appreciate your hard  
2 work and efforts.

3 Mr. Daross, I think -- did you say you had a  
4 comment?

5 MR. DAROSS: I'm -- just -- I'll address them  
6 to Daisy later.

7 MR. CONINE: Okay. Any other issues on the  
8 external audit reports to come before the committee?

9 Just so I -- in my board packet last week,  
10 there was the OIG's auditor report on the HOME Program.  
11 Are we going to deal with that a little later?

12 MS. STINER: Yes, sir. It's -- we're in the --  
13 we have responded to HUD. We've sent them an  
14 implementation schedule. They've accepted it. What we've  
15 done this morning is handed to you the most recent  
16 correspondence on that and our time table.

17 I think I sent you a time table. But what you  
18 have now in the packet that I've given the audit  
19 committee, which will get mailed out to the full board, is  
20 the response from HUD accepting that -- unless you want to  
21 talk about some of the detailed findings and the time  
22 tables we've given to correct it.

23 Once we have a completed audit, it's -- we have  
24 an opportunity to work with HUD on those outstanding  
25 issues. The deadline for completing it is the next two

1 months. Without me looking at this --

2 MR. CONINE: Three months -- I think it says  
3 three in here.

4 MS. STINER: Three months.

5 MR. DALLY: Yes. I think about three months.

6 MS. STINER: So that probably coincides with  
7 the June --

8 MR. CONINE: June meeting?

9 MS. STINER: -- meeting.

10 MR. CONINE: Okay. We'll take a look at that  
11 then.

12 As I recall reading the minutes, another issue  
13 that was outstanding was the performance evaluation of Mr.  
14 Gaines. Have you had a chance to do that in all the  
15 hiring and so forth you've been doing lately -- or  
16 reviewing?

17 MS. STINER: I've done your job performance --  
18 yes.

19 MR. CONINE: Okay.

20 MS. STINER: I've done so many of them. Yes.  
21 Yes. I got David. We'll share his with this audit  
22 committee. We'll mail you that when we mail the other  
23 packet of information.

24 MR. CONINE: Okay. That will be outstanding.  
25 I know in my discussions with David, he was anxious to get

1 that done last time.

2 MS. STINER: We got it done.

3 MR. CONINE: I'm glad to hear that's done.

4 I'd also be remiss if I didn't congratulate the  
5 staff in the audience, some of who have recently received  
6 promotions or increases in job responsibility, and we're  
7 thankful that you've accepted those and look forward to  
8 working with everyone related to that.

9 Any comments along those lines, Daisy?

10 MS. STINER: Nothing, Mr. Conine. We, too, are  
11 just grateful that we've had several staff members who've  
12 taken on additional roles and responsibilities, and we're  
13 very fortunate to have the level of expertise we have in-  
14 house.

15 And we will expand it and adjust it until we  
16 get the right mix of people with various expertise in  
17 other areas. We think we have it here. We just have to  
18 do some reassigning and -- of responsibilities.

19 As I said, you may have heard me allude to it,  
20 to our smaller programs -- we certainly don't think we  
21 need to staff up FTEs. What I have committed to do and  
22 want to do is take advantage of a department-wide approach  
23 to this rather than, you know, an area approach, a  
24 division approach, and a section approach.

25 We think we can do well if we take advantage of

1 all of the expertise we have already on board. But it  
2 does take a good amount of evaluation, a good amount of  
3 auditing.

4 So one of the things I've committed to with the  
5 human resource director, as I alluded to earlier, is a  
6 department-wide audit of jobs just to see where we are,  
7 and then we'll be able to determine if we do need a  
8 different kind of expertise up to even making a request  
9 for waiver of our FTE cap to get people in with different  
10 levels and different kinds of skills.

11 But by and large, we're doing well. And I just  
12 want to say we appreciate the effort that this audit  
13 committee has shown. This is -- I shared with your  
14 internal audit, it's been a long time since we had the  
15 level of this kind of focus on it and we're happy for that  
16 because we feel that it's very healthy; it's very positive  
17 when we know what those issues are so we can approach them  
18 from a focused standpoint.

19 So thank you for that and --

20 MR. CONINE: Okay. And also, I'd like to take  
21 note that from the State Auditor's Office in the audience  
22 is Nicole Marrera, and we're glad to have you here and  
23 look forward to working with you as time goes on.

24 And also, Dr. Florita Griffin, yet another  
25 board member, came in to the committee meeting. Good to

1 see you.

2                   And do you have any comments for the committee  
3 before we adjourn?

4                   All right. If there are no other committee  
5 comments, we stand adjourned. Thank you.

6                   (Whereupon, at 9:35 a.m., the meeting was  
7 concluded.)

C E R T I F I C A T E

1  
2  
3 MEETING OF: TDHCA Audit Committee

4 LOCATION: Austin, Texas

5 DATE: March 24, 2000

6 I do hereby certify that the foregoing pages,  
7 numbers 1 through 53, inclusive, are the true, accurate,  
8 and complete transcript prepared from the verbal recording  
9 made by electronic recording by Penny Bynum before the  
10 Texas Department of Housing and Community Affairs.

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(Transcriber) 03/28/2000  
(Date)

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