TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

AUDIT COMMITTEE MEETING

Room E2.026
Capitol Extension
1500 North Congress Avenue
Austin, Texas

September 6, 2012
8:00 a.m.

MEMBERS:

LOWELL KEIG, Chair
LESLIE BINGHAM ESCAREÑO, Member
TOM H. GANN, Member

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PROCEEDINGS

MR. KEIG: The meeting of the Audit Committee of the Texas Department of Housing and Community Affairs will come to order.

We'll start with the roll call. I am present.

Leslie Bingham Escareño?

MS. BINGHAM ESCAREÑO: Here.

MR. KEIG: Tom Gann?

MR. GANN: Here.

MR. KEIG: We have a quorum.

Our first item on the agenda is the minutes for June 14, 2012, and I believe we have a replacement set. They're on top, here we go. Does anybody have any discussion about changes to the minutes?

(No response.)

MR. KEIG: Do I hear a motion to approve?

MS. BINGHAM ESCAREÑO: Move to approve.

MR. GANN: Second.

MR. KEIG: Moved by Ms. Bingham, second by Mr. Gann. All those in favor say aye.

(A chorus of ayes.)

MR. KEIG: Those opposed.

(No response.)

MR. KEIG: All right. They pass.

Next item on the agenda is: Presentation, discussion and possible approval of the Fiscal Year 2013 Internal Audit Work Plan.

Ms. Donoho, would you please address that?

MS. DONOHO: Good morning, Chairman Keig, Board members. For the record, I'm Sandy Donoho, director of Internal Audit, on the presentation, discussion and possible approval of the Internal Audit Work Plan.

The Internal Audit Work Plan is required by the Texas Internal Auditing Act. This is the statute that governs the state's internal audit functions. The plan outlines the work that we will undertake in the coming year. It's based on a complex and lengthy risk assessment that's agency-wide, and includes interviews of executive staff, surveys, research into statutes, federal regulations, and detailed reviews of program information. It takes us about two months to put together the risk assessment. The Board has had a chance to review the draft plan.

There are six audits on the plan this year. Four of these, Asset Management, Program Services, Compliance Monitoring and Loan Processing, are larger audits. The remaining two are smaller audits of specific areas. We started that last year and it worked really well to have a couple of small audits to fit in between the big ones when we have downtime.

Last year we had four large audits and four small audits. We lost one FTE last spring, so our plan is somewhat aggressive to just drop down by two small audits. This may result in a carryover project. A carryover project is a project that starts in one fiscal year and ends in the next. That's not generally a problem.

The audit of Loan Processing was on last year's plan. As you recall, it was postponed because we reorganized this area as an agency. We added it on to this year's plan because it's still considered high risk. Compliance Monitoring has not been audited in the past five years. This was a suggestion by executive management. Asset Management and Program Services are relatively new functions in the last two years and they have also never been audited.

With your permission, we already started the Manufactured Housing audit since it did not require prior approval of the plan. That's because they have a separate board of directors. It's included on this plan because it's a time commitment for my staff and you need to know that we'll be spending a little bit of time doing that audit. As you recall, they provide funding for part of one audit FTE in exchange for audit coverage, so we do an audit at Manufactured Housing about every other year.

We have a number of special projects and other types of tasks that are either required by state law or by our auditing standards. These projects are on our plan every year. This year they include a peer review which is an external assessment of whether or not the Internal Audit Division complies with the auditing standards. Our peer review is schedule for the first week in November.

Also included is the annual revision of our audit charter and board resolutions and update to our policies and procedures to comply with more new audit standards and ongoing tasks that include coordinating with external auditors, following up on prior audit issues, handling calls from the fraud hotline, as well as other fraud complaints.

Are there any questions regarding the proposed 2013 Audit Plan?

(No response.)

MS. DONOHO: Staff recommends approval of the plan.

MR. KEIG: I'll entertain a motion to approve the plan.

MR. GANN: I so move.

MS. BINGHAM ESCAREÑO: Second.

MR. KEIG: Moved by Mr. Gann, second by Ms. Bingham. All those in favor say aye.

(A chorus of ayes.)

MR. KEIG: Those opposed.

(No response.)

MR. KEIG: Carries.

Item 3: Presentation and discussion of the status of Fiscal Year 2012 Internal Audit Work Plan.

MS. DONOHO: There were eight audits on the plan this year. We completed seven audits, two of which we'll discuss under agenda item 4, and as you recall, we postponed the Loan Processing audit, as we just discussed. In addition, we completed a number of non-audit requirements that are on our audit plan, including our quality assurance and self-assessment review, our annual review of the audit charter and board resolutions, we updated our policies and procedures to comply with the other set of audit standards such as recently was revised, and we completed our reciprocal peer review work in preparation for our upcoming peer review. Our 2013 risk assessment is also complete, our peer review self-assessment and our 2012 annual report are underway.

I'd like to talk for a minute about the value added by internal audit. As you know, the Internal Auditing Act requires every agency to have an internal audit function and larger agencies are expected to maintain an in-house internal audit function, as well as an audit committee of the governing board. In the five years I've been internal auditor, we've completed 31 audits which is over six audits per year. This does not include any administrative tasks or administrative time like vacation -- occasionally I let my staff do that -- or sick leave, that sort of thing. I try not to let them get sick, but you know how that works.

Our audit software that we've been using for a number of years, we recently gained some new functionality on that, and it allows us to calculate the cost of our audits based on the average fees of private sector accounting and auditing firms. In 2012 we provided $2.1 million in audit value using our annual budget of approximately $350,000, so we think we're worth it.

Are there any questions regarding the status of our 2012 Audit Plan?

(No response.)

MR. KEIG: Okay. That's just a report, we don't need a vote on that.

Item number 4: Presentation and discussion of recent internal audit reports.

MS. DONOHO: We've released two internal audit reports since our last audit committee meeting. The first one is a review of the Housing Choice Voucher Program. The Housing Choice Voucher Program is generally known as the Section 8 program. This audit was different from our normal audits. When we started planning this audit, we discovered that Section 8's administrative expenditures exceeded its budget for 27 of the past 29 months. The program was operated in a monthly deficit of approximately $10,150. Approximately 83 percent of their annual budget is made up of salaries and benefits for program staff. As a result of this condition, we decided to combine our usual compliance audit work with some economy and efficiency work in order to develop useful recommendations that hopefully will help management in making decisions about the Section 8 program.

We determined that the Section 8 program expends funds in accordance with HUD rules and regulations. We tested a random sample of 38 expenditures and found no errors. We also found that the program accurately determines participant eligibility. We tested a random sample of 34 participant files and found that all of those participants were eligible for the program. We also did some work on the application controls over the Housing Pro software that the program used and found that those controls were working as intended.

We identified a number of ways that the program can increase revenue and/or reduce expenditures to reach the breakeven point. These opportunities include eliminating or reducing the use of local operators, reducing the fees paid to local operators, using time more efficiently, moving to a paperless environment, improving communication, and information sharing, eliminating unnecessary reports, and revising the quality assurance process.

Our work included interviews, observations, analysis of data, as well as a time study to determine how the program staff spend their time. Because as auditors we don't make management decisions, we merely made suggestions for options that management can consider as they move forward with this program.

Are there any questions regarding this audit?

MR. KEIG: Mr. DeYoung, do you have anything you'd like to add?

MR. DeYOUNG: Sure, very briefly. We appreciate Internal Audit's look at the Section 8 Housing Choice Voucher Program. It is a program that historically has kind of operated within TDHCA and not gotten a lot of attention.

Many of the recommendations are going to be looked at by the continuous improvement team, the CIT team, so we've kind of held off on making any changes directly related to this right now. The CIT team is active on looking at some more detail based on the audit from Internal Audit, and we'll be coming in with some revisions to procedures. Some of the recommendations like taking some of the contracts back from the LOs have already been implemented and we're working on that. That was a process that kind of started at the time the Section 8 audit began.

So we look forward to a marked improvement in the amount of money that the program saves, it should break even, and this is a process that is going to be finalized after the CIT -- and David Johnson is part of the CIT team, there's a whole team that's looking at it, and we'll come in with a comprehensive revision to the program. So we're excited.

MR. KEIG: How long do you think it would take for us to get out of the red?

MR. DeYOUNG: I think we're pretty close to that already, just by removing the LO contracts and taking the fee for the Los -- each of the vouchers had different rates that we subsidized the LO and some have $15, some went all the way up to $25, those have been brought back, I think, to $15. We went through some of the accounting process and looked at what expenditures were being charged, were they being charged correctly, and through that process I think we got to a point where we are fairly confident that this program was about at a breakeven point. That doesn't mean we're done, the CIT team is going to help us, but I think we can get some more savings there.

The truth is it is a paperwork-driven program, it is heavily dependent upon records. We need to go to electronic records. These are some things that we've started but we have not completed the full transition into electronic records, so that's going to be our focus. But Ms. Boston and I wanted to wait until the CIT team took a look at and get eyes from the outside who are not wedded to the old system, a new system, and let them take from internal audit any suggestions and kind of test it a little bit more and say where we should go.

MR. GANN: What kind of timeline have we got on that?

MR. DeYOUNG: The CIT team?

MR. GANN: Yes.

MR. DeYOUNG: David, what do you think on that, another month or two? Another month or two and we'll have their recommendations back, and then we'll sit down with a comprehensive plan on how to revise the Section 8 program.

Any other questions?

MS. BINGHAM ESCAREÑO: I mean, it looks like from the recommendations that just going to one consistent fee on the LO cuts the monthly deficit in half, so it should save about, it looks like, $4,500 of the $10,000.

MR. DeYOUNG: And what we've done is we have vouchers all over the state, but there are primarily four large areas where the majority of the vouchers are. We maintained the LOs there. That helps us to manage those local and the vast majority of our vouchers. But where we have one and two vouchers, we can handle that workload by going out when we need to. So we've kind of taken a hybrid approach: let's keep the big ones and the small ones we'll start to manage.

And then let's bring all the fees back in line. There really was no rhyme or reason why someone was being compensated at $15 versus $25, and we've decided we're going to bring it back to one flat fee. If one of those larger LOs decides that that fee is not enough, then we'll revisit that, but that situation has not occurred. We've told them that we're going to be at $15, they went right along with it.

MR. KEIG: All right. Thanks.

MR. DeYOUNG: Thank you.

You have the Homeless Housing and Services Program.

MS. DONOHO: Right. The next audit was the Homeless Housing and Services Program. The Homeless Housing and Services Program, also called HHSP -- because we love our acronyms in state government -- provides funding to the eight largest cities in Texas for services to homeless individuals and families, including case management, housing placement and retention. The legislature appropriated $20 million for HHSP in Fiscal Years 2010 and '11. For 2012 they didn't appropriate any direct funding, they allowed the Department to allocate available funds to this program. The Department allocated $5 million to HHSP in Fiscal year 2012.

The HHSP program was developed without the benefit of detailed legislative requirements. I think they just basically said, you know, here's the program, go do this. In addition, the Department only recently developed and approved program rules. As a result, we had to rely on the contracts between the Department and the subrecipients as the principal source for program requirements and as the primary criteria we use to evaluate the program.

HHSP generally disburses funds in accordance with sub-recipient contracts. It has a process in place for the subrecipients to submit monthly performance reports. In addition, subrecipients indicated to us that they track and maintain the supporting documentation necessary to ensure their compliance with their contracts. A lot of them sent us that data and we would agree that they do track that information.

We also found that the Department does not review the draw requests for compliance with sub-recipient contracts. Two of the eight contracts had funds disbursed in one of the first four draws which exceeded the 25 percent draw limit as set out in the contract. In addition, the matching funds required by the contract weren't verified to ensure that they were adjusted when the contracts were amended. The entities make a match to the funds that we put in and just about anything will qualify for that match, but if their contract level changes, their match should change accordingly. We recommended the Department ensure the draws are consistent with the contract requirements prior to payment and to confirm the match.

The subrecipients contracts require them to submit monthly performance reports to support their progress. The performance reports don't always capture the information needed to determine that they're in compliance with the contract. We recommended that the Department ensure that the performance metrics reported by the subrecipients measure their progress toward meeting the goals outlined in the contracts.

Finally, not all of the subrecipients were monitored by the Department. Three of the eight subrecipients have never been monitored by the Department, the other five were monitored only once. However, several of the subrecipients indicated they're subjected to single audits or other types of audits at the local level because these are cities. We recommended that the Department improve its monitoring procedures and periodically monitor all of the subrecipients in this program.

Are there any questions regarding this audit?

(No response.)

MR. KEIG: Well, let's move to item 5: Presentation and discussion of the status of external audits.

MS. DONOHO: Okay. Looking at the table in your board book, there were 14 external audits, reviews or monitoring visits for Fiscal Year 2012. All 14 are complete. Reports were released on ten of these. We'll be discussing two of these under agenda item 6.

We've received draft reports on three of the last four, and management responses are due soon. These include a FEMA closeout review of the Alternative Housing Pilot Project which is the Heston project, a HUD technical assistance and monitoring review of the HOME Program's community housing development organizations, or CHDOs, a HUD technical assistance and monitoring review of the Uniform Relocation Act, and the one that we have not yet received a draft report on is the post payment audit of the Department's purchasing, travel and payroll -- we're still waiting for the draft on that one.

Are there any questions on the status of the external audits?

(No response.)

MR. KEIG: Item number 6: Presentation and discussion of recent external audit reports.

MS. DONOHO: There were two external audit, monitoring or technical assistance reports released recently, and then we have an update on one that we talked about last time.

The first one is NeighborWorks' review of the National

Foreclosure Mitigation Counseling Program. NeighborWorks contracted with Mayer Huffman McCann to perform agreed upon procedures to evaluate participants in the National Foreclosure Mitigation Counseling Program -- that's a mouthful. The Department is the grantee for this program. The auditors tested compliance with requirements outlined in the funding announcements and the grant agreements. The selected North Texas Housing Coalition for their review which is one of our subrecipients. They initially identified four draft findings and three additional recommendations. However, based on their review of the documentation provided by the sub-recipient during their response period, all of the findings were cured. This means there were no findings carried forward to the final report. So this is a good news report.

Are there any questions on this one?

MR. KEIG: I want to make a comment -- I don't know if we have anybody here from that program -- but I appreciate you all getting on those items and curing them before the final report. That's excellent news.

All right. Go ahead.

MS. DONOHO: The next one is HUD OIG audit of the Neighborhood Stabilization Program. HUD OIG audited the Neighborhood Stabilization Program, I think they spent almost a year with us. They concluded that the Department did not adequately manage its obligations for the program because it did not maintain sufficient records to support the obligations reported to HUD. In addition, they indicated the Department lacked adequate resources and effective internal controls to operate the program.

Essentially, they found that the Department did not have valid contracts or other obligating documentation for $631,402 in reported obligations. They recommended HUD require the Department to provide support that the obligations existed as of the September 3, 2012 obligation deadline or repay HUD for the funds that were drawn down. The Department improperly obligated $42,182. OIG recommended HUD recapture and reallocate these funds. The Department entered into agreements with subrecipients that did not complete their activities resulting in $8,767 in unsupported costs. They recommended HUD require the Department to provide supporting documentation for these costs or to repay them.

$24.7 million of the Department's reported obligations did not match subrecipient agreements. OIG recommended that HUD require the Department to provide support for these obligations or repay HUD for the funds drawn down. Out of the $24.7 million, $16.5 million, or 66.8 percent, were TDHCA obligations; $8 million, 32.4 percent, were TDRA, and $205,000, or .08 percent, were TSAHC.

HUD OIG also identified significant deficiencies in the Department's internal controls over the NSP program. These include not establishing systems and controls for processing, documenting, tracking and reconciling obligations, tracking program income, not selecting subrecipients with the capacity to complete the program, not ensuring adequate staffing to oversee the program, and not implementing policies and procedures to verify tenant or homeowner eligibility.

They also said that the Department did not report its progress to HUD in a timely manner. Only two of the twelve quarterly performance reports OIG tested met the reporting requirement. And they further mentioned that all the funds are required to be spent by March 2, 2013 which is about six months from now. At the time of the OIG review, the grant period was 81 percent complete but the Department had spent only 52 percent of the grant funds.

How this works is that HUD OIG makes their recommendations to HUD and the resolution of these issues will require the Department to communicate with HUD and to work with them to resolve these issues.

If you don't mind, I think I'd like to talk about the next one too which is also NSP and then we can talk about them.

MR. KEIG: That's fine with me.

MS. DONOHO: Okay. The next one is an update to the May 2012 HUD NSP monitoring report. The remote monitoring review of NSP obligations we discussed at the last audit committee meeting in June resulted in a decrease in the NSP grant of $10,673,574.72. Some but not all of these funds are the same funds as the $25.7 million in the OIG report we just discussed. Although HUD and OIG used slightly different methodologies to compute their totals, it appears from comparing the two lists of contract agreements that of the 39 unsupported obligations found by HUD OIG, 15 were included in the 23 agreements that HUD already reviewed.

As a result, the additional funds that are subject to recapture or by which the grant could be reduced, at least in my estimation, are around $17 million, depending upon the methodology used. There's about a $300,000 variance, depending upon whether they use OIG's methodology or HUD's methodology. I would assume since HUD is going to be resolving this, they will use their methodology, so $17 million is probably about the difference there.

Are there any questions on this update?

MR. KEIG: I have some questions that I'm going to address in item 7, but if there are any updates from staff, if there have been any communications with HUD, not HUD OIG, I'd like to hear about them, but if not, if that's to be done, there's no need for any discussion at this point from me.

MS. HOLLOWAY: Marni Holloway. I'm the director of the Neighborhood Stabilization Program.

We have received a request from HUD for our response to this final report. That's due in 45 days, so it's due into October, and we are working on that.

HUD has requested from OIG, in addition, information regarding how they arrived at these conclusions. I continue to have, and the HUD staff that I work with continues to have some differences of opinion regarding exactly the findings that OIG has presented here.

Also, on the monitoring report, just so that you have a clearer picture of what happened, on July 10 HUD sent a letter saying that they were going to delay their response to our response on the monitoring for resolution of the OIG audit. So that left us with we had these funds sitting here, we're running up to our expenditure deadline, we have no idea when HUD is going to come to their conclusion of what it's going to be. So that we didn't wind up in December with HUD saying here's $10 million, go spend it, when we needed to get it spent by March of 2013, we sent a letter back saying: You've had nine months to review this, the review started at our request when we brought a question to you, we will not have time for compliant expenditure of these funds if it's further delayed, please amend our grant agreement.

The letter also included a statement that we believe the appropriate recapture on the TDRA contracts is $6 million rather than the $10-. Rather than pitching into a fight about it, let's just amend the grant agreement so that we can concentrate on completing the program.

MR. KEIG: The deadline, is that possibly going to be moved for all the states, or is that something that's congressionally mandated?

MS. HOLLOWAY: That's congressionally mandated, the expenditure deadline is. Yes.

MR. KEIG: Any other questions at this time?

(No response.)

MR. KEIG: All right. Thank you.

MS. HOLLOWAY: Thank you.

MR. KEIG: Item number 7: Presentation and discussion of the status of prior audit issues.

MS. DONOHO: Of the 37 current prior audit issues, six issues that were previously reported as implemented were verified and closed by Internal Audit. These are not on your list because we closed them so we took them off the list. Of these, one was the Weatherization Assistance Program and five were the Tax Credit Exchange Program.

There were six issues that were cleared from the Internal Audit reports presented at the last audit committee meeting. Of these, two were HOME Multifamily, four were Human Resources. We'd like to thank these areas for implementing their recommendations before we even had a chance to enter them into our database. We love it when that happens.

There were 16 issues reported by management as implemented; they're reflected on your list. These will be verified and closed by Internal Audit once we've reviewed all the necessary supporting documentation. Of these, 12 were the NSP program, one was Homelessness Prevention and Rapid Rehousing Program, one was a DOE monitoring issue for the Weatherization Program, one was a statewide single audit finding for the Financial Administration Division, and one was a statewide single audit finding that's now the responsibility of the Compliance Division.

There are nine issues that are pending. We will verify and close these issues as soon as they are reported as implemented. Of these, four are for NSP, one of these is a statewide single audit finding, and five for HOME Multifamily program.

We cleared all of these issues that were reported to us as implemented this year except for four that were recently received and twelve NSP issues. Some of the NSP issues are also in the HUD OIG reports that we just discussed, and the resolution to those issues will need to be worked out with HUD. Those are not the issues from those reports, they're issues from Internal Audit reports that were also found in those audits. So I don't see any point in Internal Audit clearing them and then having to come along and clear them again based on the HUD reports.

In addition, I know that NSP is working diligently to make their March expenditure deadline, and we don't want to interfere with that process at all. And finally, when the program ends, the NSP issues will no longer be applicable. As a result, we don't plan to perform any work to clear the twelve NSP issues. If they're resolved by HUD, we will mark them as cleared.

Are there any questions on the prior audit issues?

MR. KEIG: Yes. May I hear from Ms. Holloway on NSP?

Although Internal Audit may not be performing any work to check on implementation of those twelve issues, from your staff's perspective there were some target dates that have now passed, and I know there's a lot of moving parts here because there will be discussions with HUD, but are there some of those items that can be taken care of from your end that wouldn't be dependent upon what HUD decides?

MS. HOLLOWAY: And in fact, I was tardy in entering implementation information into the team's central database. I think it was well into August before I finished up those entries. At this point there's one -- I went looking at the report from the system, there's one that I have not yet entered, checked that it's implemented, and that would be program elements being monitored. We do, in fact, have a very robust system in place at this point for monitoring all of the program elements.

The other one that I can't check implemented would be loan files provided to legal should be complete and accurate. Because we're in the process of redesigning our loan closing process as part of the single family realignment, I had extended that date in the system to October 1 of 2012 so it aligns with those efforts. Otherwise, I believe that we are fully implemented.

MR. KEIG: On the other items.

MS. HOLLOWAY: Yes.

MR. KEIG: Okay.

MS. HOLLOWAY: And it's a matter of me sitting down and doing the work in team central in order for me to report that to Internal Audit, and I was, in fact, tardy on a number of those.

MR. KEIG: Okay, great. Just in the future, I understand there's some type of email reminder, if you can hop on that, that clears things up. It makes the audit committee meeting go quicker.

(General laughter.)

MR. KEIG: Thank you.

MS. HOLLOWAY: Thank you.

MR. KEIG: Let's see, anybody from HOME that can address their pending audit issues? Good morning.

MR. DORSEY: Good morning. Cameron Dorsey, director of Multifamily Finance.

I believe we've implemented all of them, just haven't gotten into the system. I've been talking to Nicole, I was hoping to have entered them into the system last night, but just given the rule rewriting, I haven't entered them in, but I think we do have them implemented.

MR. KEIG: All right, great. And just for staff's edification, I've been pushing Audit to lower the number of pending audit issues, so you can see why they're pushing you all as well, and we've made great progress over the past year or so in reducing those down to a very minimal level of what's sitting outstanding for us for pending audit issues.

All right. Item 8: Presentation and discussion of the status of the fraud hotline and fraud, waste and abuse complaints.

MS. DONOHO: In the past fiscal year, Internal Audit handled 80 allegations of fraud, waste or abuse. We received two complaints after your board book was posted, so I'm going to be giving you some new numbers here. This is in addition to all the other work that we perform, the internal audits, the prior audit issues, the coordination with external audits, and all of our other tasks. Of the 80, 52, or 65 percent, were received via the Department's fraud, waste and abuse hotline. All of these calls were from the public.

Of these, only five, which is about 10 percent, related to the Department's programs. The rest of the callers were referred to the appropriate oversight agency for assistance. However, we do still think that the hotline provides a valuable service because it gives the agency a presence out there, and some of the calls that we've received in the past on the hotline have been very significant. So I think even if we only have five that really related last year to our programs, it provides a service to the public and it provides us with valuable information that we wouldn't otherwise have.

There were 28, or 35 percent, that we received from other sources. All but one of these were related to the Department's programs. So generally outside the hotline, people have a better idea of what issues belong to the Department. A lot of the hotline calls that we get are people who are not familiar with the relationship between the participating jurisdictions, so they think that, for example, a Section 8 property in Houston would be under our jurisdiction which it would not be. So I think that's where the confusion lies there.

Of the 32 applicable complaints, seven, or 21.9 percent, were referred to the State Auditor's Office or to other oversight agencies such as DOE, OIG, HUD OIG, that sort of thing. We investigated 23 of these complaints and determined that they were unfounded. There are two complaints that are still pending. Both of these were referred to Compliance Monitoring to resolve.

Are there any questions regarding the status of our fraud complaints or our fraud hotline?

MR. KEIG: Well, I guess I'm a little confused. We have two that are with SAO right now. Right?

MS. DONOHO: We have seven that went to the SAO or to other oversight agencies. There are two of those that are, as far as I know, active. And then there are two that we have in-house that Compliance Monitoring is going out to handle those.

MR. KEIG: So two pending with SAO.

MS. DONOHO: Two pending with us and then two that SAO are working.

MR. KEIG: Right. Okay.

Mr. Gann, Question?

MR. GANN: No, I don't.

MS. BINGHAM ESCAREÑO: No.

MR. KEIG: Okay. Let's see, do we have any public comment on matters other than items for which there were posted agenda items?

(No response.)

MR. KEIG: Hearing none, then we will go into executive session. The Audit Committee of the Texas Department of Housing and Community Affairs will go into closed session at this time, pursuant to the Texas Open Meetings Act to receive legal advice from its attorney under Section 551.071 of the Act, discuss certain personnel matters under Section 551.074 of the Act, and that's all for this time.

The closed session will be held in this room, and so we request that all members -- or are we going to go into the anteroom?

MS. DEANE: We may at some point be in the anteroom if you don't see us in here, but don't come back in until we go out and announce because they may come back here and do some further work out here.

MR. KEIG: So we request that all members of the public and staff leave the meeting room at this time. The time is 8:37.

(Whereupon, at 8:37 a.m., the meeting was recessed, to reconvene this same day, Thursday, September 6, 2012, following conclusion of the closed session.)

MR. KEIG: The closed session has ended on September 6,

2012. The time is 9:57. The Audit Committee is now reconvened in open session at 9:57 a.m.

Is there any other business of the Audit Committee? Do I hear a motion to adjourn?

MS. BINGHAM ESCAREÑO: Move to adjourn.

MR. GANN: I'll second. All those in favor say aye.

(A chorus of ayes.)

MR. KEIG: It passes. We are closed.

(Whereupon, at 9:58 a.m., the meeting was concluded.)

C E R T I F I C A T E

MEETING OF: TDHCA Audit Committee

LOCATION: Austin, Texas

DATE: September 6, 2012

I do hereby certify that the foregoing pages, numbers 1 through 27, 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.

09/10/2012
(Transcriber) (Date)

On the Record Reporting
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