

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

AUDIT AND FINANCE COMMITTEE MEETING

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

May 24, 2018  
7:06 a.m.

MEMBERS:

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

I N D E X

<u>AGENDA ITEM</u>	<u>PAGE</u>
CALL TO ORDER, ROLL CALL	3
CERTIFICATION OF QUORUM	3
ACTION ITEMS:	
ITEM 1: Presentation, discussion, and possible action to Approve the Audit Committee Minutes Summary for March 22, 2018	4
ITEM 2: Presentation, Discussion, and Possible Action on the Agency Strategic Plan for Fiscal Years 2019-23	5
ITEM 3: Presentation, Discussion, and Possible Action regarding Policy Items for Inclusion in the Legislative Appropriations Request for State Fiscal Years 2020-21	8
REPORT ITEMS:	
1. Internal Audit of Emergency Solutions Grants (ESG) Program	16
PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS.	none
EXECUTIVE SESSION	none
OPEN SESSION	--
ADJOURN	17

P R O C E E D I N G S

1  
2 MS. THOMASON: Good morning, and welcome to the  
3 May 24th meeting of the TDHCA Audit and Finance Committee.

4 I'm going to take roll call. Paul Braden?

5 MR. BRADEN: Here.

6 MS. THOMASON: Asusena Reséndiz?

7 MS. RESÉNDIZ: Present.

8 MS. THOMASON: Sharon Thomason? I am here.  
9 Leo Vasquez is absent today. So we have three.

10 Item 1 is going to be the approval of the  
11 minutes from the March 22, 2018, Audit and Finance  
12 Committee meeting. At that meeting staff from the State  
13 Auditor's Office presented the results of their audit of  
14 the TDHCA financial statements. The Committee recommended  
15 acceptance of the State Auditor's Office report to the  
16 full Board.

17 Also at that meeting Mark Scott, the director  
18 of internal audit, went over the internal audit of the  
19 TDHCA Bond Program and the recent external audit  
20 activities. The minutes are included in the notebook for  
21 your Audit and Finance Committee.

22 Can I have a motion to approve the minutes from  
23 the March Audit and Finance Committee meeting?

24 MS. RESÉNDIZ: So moved.

25 MR. BRADEN: Second.

1 MS. THOMASON: Second? Okay. And our next two  
2 action items are related to some things that Michael  
3 Lyttle will present to us. Oh, we need a vote. Sorry.  
4 That's why I have my attorney. Can I have a vote to have  
5 Michael present this --

6 MR. BRADEN: On the seconded motion.

7 MS. THOMASON: Sorry. All approved -- to  
8 approve the minutes.

9 MR. BRADEN: Aye.

10 MS. THOMASON: Any opposed?

11 (No response.)

12 MS. THOMASON: Okay. Sorry about that. But  
13 our next items will be presented by Michael Lyttle.  
14 Michael?

15 MR. LYTTLE: Good morning, Madame Chair and  
16 Committee members. My name is Michael Lyttle. I'm the  
17 chief of External Affairs for TDHCA. I'm before you this  
18 morning to discuss two agenda items related to the State's  
19 two-year budget cycle, the Department's Strategic plan and  
20 the legislative appropriations request for what we call  
21 the LAR.

22 With respect to the LAR, every biennium, State  
23 agencies are required to submit this document to the  
24 Legislative Budget Board as the process of drafting the  
25 State's budget begins. While we've not received the

1 official instructions yet for submittal to the LBB, we do  
2 believe that the deadline may be as early as mid- or late  
3 July.

4 In previous sessions -- or the previous  
5 session, our LAR deadline was August 5, and given some of  
6 the current deadlines of some of the existing documents  
7 that we have, they're earlier than last time. So that  
8 explains why we think it may be in July.

9 And consequently, that's why we will be before  
10 you this month and next to present portions of the LAR for  
11 your approval, as we finish them. So moving to the agenda  
12 item. Item 2 is the Presentation, Discussion, and  
13 Possible Action on the Agency Strategic Plan for Fiscal  
14 Years 2019-23.

15 Through this item, staff is seeking Committee  
16 approval for the Department Strategic Plan for those  
17 fiscal years. This Strategic Plan is a document which is  
18 required under state law and it's due to the Office of the  
19 Governor and the LBB no later than June 8.

20 Through this document, the Agency communicates  
21 its goals, directions and outcomes to the Governor and the  
22 legislature, to our client and constituency groups and to  
23 the general public. In addition, the plan requires that  
24 each agency identify state laws and regulations that are  
25 redundant or serve as impediments to the Agency carrying

1 out its responsibilities.

2 The proposed plan before you includes the same  
3 redundances and impediments that we identified in the last  
4 session, in the last strategic plan that we submitted in  
5 2016, because no action was taken by the 84th Legislature  
6 to mitigate those items.

7 I would also like to point out that there is a  
8 new section of redundancies and impediments in this  
9 document that is related specifically to disaster  
10 response, and that is the case, not just for TDHCA but for  
11 all the State agencies involved.

12 Also included in the plan are various  
13 supplemental schedules. These include the Agency's budget  
14 structure and performance measure definitions for the  
15 2020-21 biennium. We've requested changes from the Office  
16 of the Governor and the LBB to our budget structure and  
17 our performance measure definitions for the coming  
18 biennium.

19 However, we're still waiting for approval from  
20 these offices. So the approval is pending. Therefore,  
21 our existing budget structure and measure definitions for  
22 fiscal years '18 and '19, along with our requested changes  
23 for '20 and '21, are included in the Board item.

24 The last supplemental schedule included in the  
25 plan is the Agency's customer service plan. This will be

1 addressed separately today in the full Board meeting under  
2 Report Item 2(b). So while it may seem like many of the  
3 settings per se in this plan, in the Strategic plan, are  
4 sort of pre-set -- and they are to a large degree -- this  
5 document does not contain any surprises.

6 It essentially mirrors our goals and our  
7 mission that you've seen and read in other documents that  
8 have come before this Board. So that is the item we are  
9 requesting approval on and I'm happy to try to answer any  
10 questions.

11 MS. THOMASON: Thank you. Any questions?

12 (No response.)

13 MS. THOMASON: No? Okay. Then do I have a  
14 motion to accept this item and present to the full Board?

15 MR. BRADEN: I'll make a motion that the  
16 Agency's Strategic Plan for fiscal years 2018 to '21 in  
17 the form presented at this meeting be approved and  
18 recommended to the full Board.

19 MS. RESÉNDIZ: Second.

20 MS. THOMASON: Second? Okay. So we'll take a  
21 vote. All in favor?

22 MR. BRADEN: Aye.

23 MS. RESÉNDIZ: Aye.

24 MS. THOMASON: Any opposed?

25 (No response.)

1 MS. THOMASON: Okay. Thank you, Michael. The  
2 next -- the first report item will be the internal audit  
3 of the Emergency Solutions Grant Program and that will  
4 be --

5 MALE VOICE: [inaudible].

6 MS. THOMASON: Oh, I'm sorry, I'm sorry. I did  
7 skip Action Item Number 3, and that is related to the  
8 External Affairs and will be presented by Michael as well.

9 MR. LYTTLE: Thank you. Item 3 is the  
10 Presentation, Discussion, and Possible Action regarding  
11 Policy Items for Inclusion in the Legislative  
12 Appropriations Request for State Fiscal Years 2020 and  
13 2021.

14 Through this item, staff is seeking your  
15 approval for two of the elements which will be included in  
16 the Agency's LAR for the next biennium. As I mentioned in  
17 Item 2, every state agency must submit an LAR during the  
18 end term, which is roughly six to seven months before the  
19 next session starts.

20 The LAR will state the Agency's funding needs  
21 for the coming biennium to the Office of the Governor and  
22 the Legislative Budget Board. This document is used  
23 extensively during legislative session. Included in the  
24 state agency's LAR are requests to changes to budget  
25 riders which are found in each agency's bill pattern.



1           And a bill pattern is essentially the --  
2           literally the entire funding structure for the Agency is  
3           defined in the Appropriations Act. This bill pattern also  
4           includes the Agency's capital budget and it's reflected in  
5           a capital budget rider.

6           With respect to the budget riders, I wanted to  
7           talk just a moment specifically. Staff is recommending  
8           changes to the Housing Trust Fund-related riders to  
9           conform to a requested budget structure change which we  
10          received from leadership, the idea there being that we  
11          want to increase some transparency about the specific  
12          programs that run under the Trust Fund.

13          So consequently we wanted to change those  
14          riders to show more of that. Also, other Trust Fund  
15          changes are related to some laws that were changed last  
16          session. So we're seeking approval for also the changes  
17          to the Migrant Labor Housing Facility rider, which would  
18          allow TDHCA to collect all related fees that we have for  
19          administration of the program.

20          Currently, the legislature appropriates about  
21          \$10,000 each year for this function, and up until last  
22          session, we absorbed the entire cost of carrying out those  
23          activities without any appropriation given to us. So what  
24          we're hoping to do in this session is have the ability to  
25          collect all of those fees that we get.

1           Also, we're seeking approval on changes to the  
2 Affordable Housing Research and Information Program rider  
3 which would move reference to funding, and getting super-  
4 technical for a minute, the strategy is B11 Housing  
5 Resource Center.

6           We have no funds that are specifically  
7 appropriated under that strategy and we can cover the  
8 costs for the Housing Resource Center within our existing  
9 budget structure. So just to kind of -- it's more of a  
10 clean-up item.

11           We would ask for approval of that and some  
12 other technical corrections. And then finally I just want  
13 reference briefly the capital budget. So we are seeking  
14 your approval on requesting permission to expend funds for  
15 disaster recovery services, and that is the case where  
16 there may be, you know, God forbid, some calamity that  
17 would impact our building and our computer systems, and  
18 there's backup that goes on with that.

19           So there would be funds to do some work in that  
20 area. We have our general information technology hardware  
21 and software replacement, which is pretty consistent, as  
22 well as our accounting software, which is PeopleSoft, the  
23 PeopleSoft financial software.

24           We have some required maintenance that we have  
25 to do as well. All together, the projects total about

1 \$750,000 over the biennium, which we do have the funds  
2 for, and we would use those funds from appropriated  
3 receipts and federal funds to handle it.

4 So we wouldn't be asking for any new money, per  
5 se. So our recommendation is for approval of these items  
6 to include in the LAR, and then as I mentioned, we will  
7 come back before you next month with all of the remaining  
8 items that go into that document and get your sign-off on  
9 it. Thank you.

10 MR. IRVINE: If I may?

11 MS. THOMASON: Yes, please.

12 MR. IRVINE: Good morning, Madame Chair,  
13 members. My name is Tim Irvine, the executive director.  
14 I just wanted to provide a little bit more background and  
15 context for two of these items. With respect to the  
16 request on the uses of the Housing Trust Fund, this is an  
17 opportunity to reinforce in legislation a strategic  
18 decision we already made long ago.

19 If you turn back the clock many years, the  
20 Trust Fund was a proliferation of boutique programs, and  
21 where you only have about \$5 million a year to run those  
22 programs, it presented some real efficiency challenges.  
23 So structurally, we have moved to a commitment to use the  
24 Trust Fund for the Texas Bootstrap Program, the Self-Help  
25 Loan Program, and also for the Amy Young Barrier Removal

1 Program.

2 So this would now find its way into legislation  
3 and reinforce that commitment to a very focused and  
4 extremely efficient use of the Trust Fund resources. With  
5 respect to the migrant farmworker, I really wanted to give  
6 a little bit of a larger story because I think that this  
7 is going to be a significant issue going forward.

8 I think it's likely to be something that the  
9 legislature will take up in the next session. We were  
10 assigned responsibility for administering migrant  
11 farmworker housing licensing a number of years ago, and it  
12 was taken over from another agency that was having trouble  
13 simply keeping up with its required inspections.

14 And when we took it on, there were, I don't  
15 know, about 40 licensed facilities and we sort of thought  
16 that the universe was more or less defined, and we felt  
17 that we had the ability within our manufactured housing  
18 division, which is administratively attached to us but  
19 reports to a separate board, to carry out those  
20 inspections and that licensing activity within their  
21 existing structure.

22 That's actually worked pretty darn well for  
23 that 40-or-so licensed facilities, but it's become very  
24 apparent that the scope of migrant farmworker housing is  
25 much larger than that. The Texas Workforce Commission oversees

1 state implementation in accordance with the Department of  
2 Labor at the federal level of the H-2A Visa Program, and  
3 that's the program for bringing in agricultural workers  
4 under a visa.

5 And one of the requirements of that program is  
6 that whoever brings them in must provide for housing. So  
7 if you're bringing somebody in on a temporary or seasonal  
8 basis to perform agricultural work, they are, by  
9 definition, migrant farmworkers, and wherever they are  
10 being housed probably falls within the jurisdiction of  
11 migrant farmworker housing licensing, and therefore, what  
12 we've identified is a universe that's really, probably  
13 more like 3- or 400 such facilities, possibly more, if  
14 there are unlicensed facilities beyond those that are  
15 impacted by the H-2A Visa Program.

16 So with a transformation from overseeing  
17 40 facilities to overseeing roughly 400 facilities, also  
18 we are, you know, obviously challenged and we are looking  
19 for additional funding sources to carry out those  
20 activities because in the intervening years the  
21 Manufactured Housing Division has not been able to retain  
22 that additional flexibility to perform a significant  
23 amount of additional inspection work.

24 So these are things that we're probably going  
25 to have to take on ourselves. I think that there's also a

1 policy issue that's going to be front and center in this  
2 dialog. Under the H-2A Visa Program, the Department of  
3 Labor's standards are quite different from the State of  
4 Texas standards for licensing migrant farmworker  
5 facilities, and we're working with a variety of  
6 stakeholders, including legislative members, legal aid  
7 organizations, farmworker advocacy organizations, and so  
8 forth, and TWC to try to harmonize as much as possible the  
9 different standards, and avoid, you know, a big disconnect  
10 in a state licensing structure with a federal licensing  
11 structure, which -- excuse me -- not a federal licensing  
12 structure -- a federal requirement structure.

13 So just a little bit of background on this, and  
14 we are extremely anxious that this be a good, effective  
15 program. Tom Gouris, who has responsibility for this, has  
16 been working really closely with Michael to develop some  
17 branding and get out the message to agricultural employers  
18 that this is a positive benefit.

19 This is one of the things that really helps you  
20 to attract and retain a stable, committed, effective  
21 workforce, and we are very much committed to enforcing the  
22 migrant farmworker requirements rigorously. So glad to  
23 answer any questions.

24 MS. THOMASON: Any question?

25 MS. RESÉNDIZ: I have one --

1 MS. THOMASON: Sure.

2 MS. RESÉNDIZ: -- Madame Chair, if I may. How  
3 are the employers reacting to the information that we're  
4 providing?

5 MR. IRVINE: We've really not had a lot of  
6 direct engagement with employers. We've certainly been,  
7 you know, pretty public and transparent in everything that  
8 we are doing. We would anticipate in the near future  
9 bringing proposed rule revisions and as with all rule  
10 revisions I would anticipate we will have a lot of public  
11 interaction, that we'll have opportunity to provide input,  
12 and I would imagine that they will begin to engage when we  
13 quantify our specific proposals for ways that the Texas  
14 standards may deviate from the federal standards.

15 MS. THOMASON: Any other comments or questions?

16 (No response.)

17 MS. THOMASON: Tim --

18 MR. IRVINE: Thank you.

19 MS. THOMASON: -- thank you. Any questions for  
20 Michael?

21 (No response.)

22 MS. THOMASON: No? Okay. Then I would like to  
23 have a motion to approve the items for the legislative  
24 appropriations requests that were brought before us today  
25 by Michael.

1 MR. BRADEN: So moved.

2 MS. THOMASON: Okay.

3 MS. RESÉNDIZ: Second.

4 MS. THOMASON: All right. All in favor.

5 MR. BRADEN: Aye.

6 MS. RESÉNDIZ: Second.

7 MS. THOMASON: Any opposed?

8 (No response.)

9 MS. THOMASON: All right. Perfect. And I'm  
10 sorry for skipping you almost there, Michael. Now onto  
11 our report item. The first report item will be the  
12 Internal Audit of the Emergency Solutions Grant, and that  
13 will be presented by Mark. Thank you.

14 MR. SCOTT: Thank you, Ms. Thomason. The  
15 Emergency Solutions Grant, or ESG Program, had been  
16 selected for an audit for 2018 because of staff changes  
17 and other risk assessment factors. Management of the  
18 program at TDHCA was moved a couple of years ago from  
19 under the Community Affairs Division to under the Home  
20 Division.

21 Now, we evaluated the NSP's processes and  
22 tested the program -- I'm sorry -- the ESG's processes and  
23 tested the program controls. We also sent questionnaires  
24 to the subrecipients' management staff and also to the  
25 members of the boards who had once been clients of the



1 program, and the responses were very favorable about the  
2 program.

3 The audit report describes the program's  
4 eligible expenses and performance measures. This program  
5 follows a model that I've seen before for several federal  
6 programs. For a given area, a lead agency is established,  
7 and then the lead agency has subrecipient monitoring  
8 responsibilities.

9 Our review of subrecipient audits and also the  
10 questionnaires indicated that more specifications of the  
11 lead agency's monitoring requirements would be beneficial.

12 The audit report had a section on subrecipients' monthly  
13 expenditures and performance reports, and also a section  
14 on matching requirements.

15 And that concludes by presentation on this  
16 audit. I'll be happy to answer any questions you may  
17 be --

18 MS. THOMASON: Okay. Thank you, Mark. Any  
19 questions?

20 (No response.)

21 MS. THOMASON: None? Okay. Then I guess that  
22 concludes our meeting for the Audit and Finance Committee.

23 Thank you.

24 (Whereupon, at 7:25 a.m., the meeting was  
25 adjourned.)

C E R T I F I C A T E

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

MEETING OF: TDHCA Board Audit & Finance Committee

LOCATION: Austin, Texas

DATE: May 24, 2018

I do hereby certify that the foregoing pages, numbers 1 through 18, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas Department of Housing and Community Affairs.

DATE: May 30, 2018

/s/ Adrienne Evans-Stark  
(Transcriber)

On the Record Reporting &  
Transcription, Inc.  
7703 N. Lamar Blvd., Ste 515  
Austin, Texas 78752