

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

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MEETING OF: TDHCA Audit Committee
LOCATION: Austin, Texas
DATE: March 24, 2000

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

03/28/2000
(Transcriber) (Date)

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