TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

AUDIT COMMITTEE MEETING

8:45 a.m.
Thursday,
August 8, 2002

Capitol Extension Auditorium
1400 North Congress Avenue
Austin, Texas

COMMITTEE MEMBERS:

VIDAL GONZALEZ, Chairman
ELIZABETH ANDERSON

STAFF PRESENT:

EDWINA CARRINGTON, Executive Director
RUTH CEDILLO
DAVID GAINES

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MR. GONZALEZ: We'll call the meeting to order -- the Audit Committee meeting.

The committee will solicit public comment at the beginning of the meeting and will also provide for public comment on each agenda item after the presentation is made by the department staff and motion is made by the committee.

The Audit Committee of the Board of the Texas Department of Housing and Community Affairs will meet to consider and possibly act on the following. We will start with our roll call.

Beth Anderson?

MS. ANDERSON: Here.

MR. GONZALEZ: Shad Bogany?

(No response.)

MR. GONZALEZ: Absent.

We have two present and one absent. So we'll go to Item Number 1, presentation, discussion and possible approval of the minutes of the Audit Committee meeting of June 13.

MS. ANDERSON: Mr. Chairman, I move approval of the minutes.

MR. GONZALEZ: Okay. We have a motion. I
guess I second it.

MS. ANDERSON: I hope.

MR. GONZALEZ: All those in favor, say aye.

(A chorus of ayes.)

MR. GONZALEZ: All opposed?

(No response.)

MR. GONZALEZ: Motion carries. Okay.

And we'll go to Mr. David Gaines for the status of prior audit issues.

MR. GAINES: Good morning, Mr. Chairman.

MR. GONZALEZ: Good morning.

MR. GAINES: Ms. Anderson.

MS. ANDERSON: Hello.

MR. GAINES: And Ms. Carrington.

The first agenda item in your board book is the status of prior audit issues, and two reports have been provided to you. The first report relates to the HOME issues specifically, and the second report are all of the department's prior audit issues including the HOME issues. So there will be repeats in that second report.

Although I'll be glad to discuss any particular issue you may be interested in, my discussion today is going to be focused on the HOME issues that are outstanding since they are the most significant and most
difficult in dealing with right now.

First, I'd just like to provide you an overview summary, a bird's eye view, of all the prior audit issues as to where we're at. The status reports provided to you reflect nine issues that have been implemented or otherwise resolved since the last status report.

There's another 21 issues that the department is working on; eight of these relate to the HOME Program that we'll be discussing further. Another four of these issues relate to accounting. Three of these issues relate to accounting for financial information and reporting that information, and we expect these to be resolved in connection with this year's close-out and annual financial report.

The fourth issue relates to the integration of multiple systems being used by accounting, and that's an ongoing process. A specific target date is real elusive. It's really an assessment by each independent auditor as to how -- if we're complete or not. We hope that issue will be dropped from this year's report.

Three of the issues -- 136 on page 1 of the report -- and 119 and 252 -- these are these cross-cutting issues that affect multiple programs. These issues relate to monitoring concerns affecting all programs.
Beth, are you with me? I see you're kind of flipping through the paper.

MS. ANDERSON: Well, I'm just trying to figure out where you are.

MR. GAINES: Okay.

MS. ANDERSON: I have one document that's seven pages. And that's the HOME Program prior audit issues?

MR. GAINES: And I'm kind of -- excuse me for that. I'm on this -- the report following that. I'm kind of giving a bird's eye view.

MS. ANDERSON: Okay. And --

MR. GAINES: The 13-page report.

MS. ANDERSON: Yes. Okay. And what audit number are we looking at, 252? Is that what you said?

MR. GAINES: Yes, ma'am. Three of the issues: 136 and 119 on the first page --

MS. ANDERSON: Okay.

MR. GAINES: -- of that --

MS. ANDERSON: Okay.

MR. GAINES: -- and 252 on the second page. These are those monitoring-related issues that take all programs and that have been outstanding for a considerable time now. I believe a primary reason for that, as I've previously stated, is that we have not had a specific
point person assigned specific responsibility for carrying those forward. Since the last status report, Ms. Carrington has identified and assigned that responsibility, so we're looking forward to making progress on those.

And, I believe that these issues are just going to logically be resolved during the course of the reorganization. The monitoring processes for each of the programs have been mapped in Phase 2 of the re-org. Phase 3 will be concentrating on redesigning the processes. Many -- each of these issues relates to coordination between the decentralized functions right now. And information flow between the decentralized functions, I believe, will logically be resolved as we combine those functions and standardize those processes.

MS. ANDERSON: Okay.

MR. GAINES: The remaining six issues are scattered among various areas of the department, with no one area having more than two outstanding audit issues. That's kind of a bird's eye view. Again, specific discussion focuses on the HOME report, which will be the first report in your board book. The outstanding HOME issues relate to a HUD monitoring visit in November of 2001, a KPMG finding in connection with last year's
single audit that they conducted in contract with the
state auditor's office, and there's two outstanding issues
relating to an internal audit review relating to loans and
the accounting for those loans and the documentation
supporting those.

I'm going to focus on the HUD issues and KPMG
specifically today as those are being the most difficult
to work through. If you turn to page 1 of 7 on the HOME
report, there were eight issues included in this HUD
report. Management considers two of these issues as
resolved. One of them has been cleared by HUD, and we've
received a letter to that effect.

There's one issue that the department disagrees
with, and it has provided HUD additional documentation in
hopes that the additional documentation will resolve the
issue. And then there are five of the issues that the
department continues to work on.

The issues resolved are Issues 256 and 259.

256, on page 2 of 7, relates to a contract for deed
conversion program where vacant lots were purchased yet
the construction of housing units were not completed
within a year as required by the HOME regulations. And
additionally, HUD identified one instance of a contract
for deed recipient not having documentation on file to
verify eligibility.

Since that time, the department has recovered the funds relating to the vacant lots purchased for which housing was not built within a year. So those funds have been recovered. The department has also reviewed eligibility for those applicants that received assistance under the program and found support for all recipients. This information has been provided to HUD, and we're waiting on a response or clearance of that issue based on that input.

Issue 259, on page 4 of 7, is the issue -- we've received notification from HUD that the issue has been cleared. And it's based on the department's assurance that in the future, benchmarks, set-ups and draws will be well documented and reviewed prior to the release of funds. And this issue just relates to advancing funds before necessary or before the costs have been documented.

The issue that the department disagrees with and has provided the additional documentation in hopes that it will be resolved is Issue 253 on page 1 of 7. This issue relates to HUD's conclusions that the department's not providing adequate monitoring and oversight of the processing and construction activities of
the HOME program. And in connection with that, HUD identified instances of insufficient or lack of documentation supporting compliance with applicable construction standards.

HUD's corrective action was for the department to reinspect all units assisted since 1998 through the present, and in instances where documentation was not sufficient, to reimburse HUD with non-federal funds. The department has informed HUD in a letter of January of 2002, of this year or -- 2002, that it disagrees with the conclusions reached by HUD and its prescribed corrective action plan.

And the letter states that the department does believe that it's providing adequate monitoring and oversight, and it refers to the fact that the monitors are trained and experienced in federal requirements and monitoring techniques, that 190 HOME contracts, many with multiple projects, have been monitored since January of '01, and that the monitoring tools being used are developed based on HUD publications. The department --

Yes, ma'am?

MS. ANDERSON: Maybe I just misheard you, but did you say the HUD -- letter that you're describing the contents of was sent to HUD in January?
MS. CARRINGTON: You did say January, David.

MR. GAINES: I'm sorry. I --

MS. CARRINGTON: He meant July.

MS. ANDERSON: You meant this? Okay.

MR. GAINES: Right.

MS. ANDERSON: Okay. I just wanted to make sure it was the same letter.

MS. CARRINGTON: Yes.

MS. ANDERSON: Okay.

MS. CARRINGTON: It was the July letter.

MR. GAINES: Yes, ma'am.

MS. CARRINGTON: July 26.

MR. GAINES: Excuse me.

MS. ANDERSON: Okay.

MR. GAINES: Let's see. The department also argues that the sample selected by HUD was not representative of the population and so, therefore, going back to 1998 is not really a reasonable request. And they provided documentation as to why it was not representative of the population.

The department responded to HUD that it did not consider -- that HUD did not consider documentation that was available at the subrecipient, and HUD has acknowledged that condition in a letter to the department.

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MS. ANDERSON: They have?

MR. GAINES: Yes, ma'am.

MS. ANDERSON: Okay.

MR. GAINES: The department informed HUD that based on tests conducted by TDHCA staff of all of the files that HUD reviewed plus another 120 files, 104 being homebuyer assistance and 16 being owner occupied, based on our tests, 100 percent of the documentation was available for all those files. We've provided this --

MS. ANDERSON: This -- and that's in the -- this is in the letter that went to HUD, also?

MR. GAINES: Right.

MS. ANDERSON: Okay.

MR. GAINES: And assuming we're both looking for the same documentation and --

MS. ANDERSON: Right.

MR. GAINES: -- acceptable supporting documentation, HUD will, I believe, have to acknowledge that this information has been provided to HUD. And we're awaiting to hear back from them at this time.

MS. ANDERSON: Let me ask a question. At one point, there were -- have we been to the -- had a discussion at the management level with the HUD Fort Worth office about this? At one point, I think maybe Ms.
Cedillo was -- had that scheduled. Did that --

  MS. CEDILLO: We did go in January.

  MS. ANDERSON: Oh. Okay. And made sort of -- and discussed this topic at all?

  MS. CEDILLO: Yes, ma'am.

  MS. ANDERSON: Okay. Thank you.

  MS. CARRINGTON: We wanted to get our July letter out after we had done the review of the 100 or so files that David mentioned. One of the things that we talked about a couple of days ago at the staff level was, How quickly are we going to hear from HUD --

  MS. ANDERSON: Right.

  MS. CARRINGTON: -- which -- we are a little apprehensive about this because there was a real time lag from the last time we had correspondence with them. So I think --

  MR. GAINES: That was from February to June.

  MS. CARRINGTON: From February to June. So we pretty much decided that if we hadn't heard from them like sometime mid-September, it was time probably for us to visit again.

  MS. ANDERSON: Okay. Well, it would be -- since we have another Audit Committee meeting, I'm assuming, anyway, on the 12th of September, I probably

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won't need reminding, but it would be interesting to know if we've heard from them by then.

MS. CARRINGTON: Okay.

MR. GAINES: The department continues to work on the remaining five issues. Issue 254, on page 2 of 7, relates to reconstruction and the rehab work on two projects that was paid for by one of the department's subrecipient's contract with a third party lender. And this was work paid for that was never completed.

HUD's corrective action requires the department to investigate all loans funded under this lender and to determine if the disbursements were justified and why no effort has been made by anyone, at least in HUD's perception, to ensure completion of the projects or -- to ensure that the projects were completed. The department has informed HUD in its July letter that it's working with the subrecipient to obtain the related files for review, and once that process has happened, determine how to best proceed, and that will be communicated to HUD as a result of that review.

Issue 255, on page 2 of 7, relates to an ongoing issue we've had relating to data entry and correction problems on the IDIS, a HUD management information system. HUD's corrective action requires that
the state review all projects set up and the project
completion reports for activities since 1998 through the
present and to make the required corrections.

And the department has informed HUD in the same
July letter that it's working to develop and prepare a
plan of action and, also, to inform HUD that preliminary
standard operating procedures have been developed to
initiate a comprehensive mass contract close-out process
which the department believes will address these
outstanding IDIS corrections that need to be resolved.

And management's estimating that this is going
to require two staff people a year working full time to
resolve this.

MS. ANDERSON: Was that in the letter, the July
26 letter to HUD?

MR. GAINES: I believe that was in the letter.

MS. ANDERSON: The magnitude of what they're
asking us to do, two man-years of effort? Okay.

MR. GAINES: Yes, ma'am.

Issue 257, on 3 of 7, relates to documentation
supporting the existence of contracts. HUD could not
determine that some lower-tiered contracts with one of the
department's subrecipients was in existence. And without
the contracts, they could not determine whether the
services being provided were being priced at a reasonable level, could not determine the reasonableness of the amounts paid for those services.

HUD's corrective action requires that the state provide assurance that no further funds be disbursed without the existence of executed agreements between all parties and that such agreements are in full compliance with the HOME regulations. The department has informed HUD that it plans on sending the subrecipient a letter requesting the status of these projects and require the subrecipient to either notify the department that these projects have been cancelled or provide copies of executed agreements between the related parties.

With the implementation of the new HOME manual in March of 2001, the department's requiring all HOME contract administrators to execute written agreements and that applicable third party service providers or -- excuse me -- written agreements with the third party service providers and that all charges for services and provider fees are reasonable prior to releasing funds.

MS. ANDERSON: I just -- I have one question about that, also. When we -- when is the expectation that this letter will go out to the subrecipient?

MR. GAINES: That was, I believe, the target
date -- let me get this in front of me here.

MS. ANDERSON: Is it the August 15 date I see up here?

MS. CARRINGTON: Ruth says yes.

MS. CEDILLO: Yes.

MS. ANDERSON: Okay.

MR. GAINES: Okay. So that's --

MS. ANDERSON: Okay.

MR. GAINES: That is that target date.

Okay. Issue 258 on the same page, 3 of 7, relates to a prohibited clause that HUD identified in a land use restriction agreement executed between the subrecipient, [indiscernible], and the Texas limited partnership -- they were doing business -- regarding the ability of the partnership to waive occupancy requirements. And HUD's corrective action was that the department review all LURAs since 1998 and remove any such clauses.

The department has determined that the prohibitive language is included in the HOME LURAs and is working with the legal staff to determine an appropriate remedy. There's a couple of options, basically, and the department prefers the option of issuing a policy statement to the effect that we are not going to honor...
that clause, just an across-the-board policy statement, as opposed to requiring each of the project owners to execute a new LURA removing that. And we're waiting and hoping HUD will find that acceptable.

Additionally, the subject subrecipient has informed the department that it's going to request an amended LURA for that specific project, and the department will ensure that it's properly written and complies with the HOME regulations. The target date for this is really contingent upon hearing back from HUD on our proposed action.

Issue 260, on page 4 of 7, relates to two different circumstances. The first relates to instances noted where there was no documentation for newly constructed units that they're in compliance with the model energy code.

HUD's corrective action was for the department to review all newly constructed projects since 1998 and ensure compliance with the energy code. The department informed HUD in the same letter we've referred to, the July letter, that it's sending the subrecipient a letter requiring it to identify all such projects and to provide documentation that these projects are in compliance.

MS. ANDERSON: I have the same question I had
earlier about the other issue about this. When do we plan
to send this -- when do we expect that letter to the
subrecipient might go out? Because this one says that
target date's January 31 of next year.

MR. GAINES: I believe this was a letter just
within -- it may already be out.

Is that right, Ruth?

MS. CEDILLO: Yes.

MR. GAINES: Yes. It was in the works as this
status was prepared.

MS. ANDERSON: Okay. Thank you.

MR. GAINES: The second circumstance related to
a HOME-funded apartment complex that was not in compliance
with Section 504 accessibility requirements. And HUD's
corrective action was that, again, the department re-
inspect all properties since 1998 and that the subject
property be -- the conditions be corrected.

And the subrecipient has informed the
department that it's scheduling a visit to the property,
and, based on the results, will amend the applicable LURA
requiring the accessibility requirements and -- I guess,
by extension, that would assume -- any modifications to
the property that would be necessary. And the department
in regard to going back to 1998 currently is in the
process of initiating an invitation to bid for contracting these services to a third party.

And outsourcing these inspections will not only ensure that the 504 requirements are complied with but fair housing compliance, as well. The department hopes to be able to begin this this fiscal year -- I believe they need to factor in and look at monies available -- if not, it'll be Fiscal Year '03. Once the contract's executed, we'll get back with HUD and provide them a time line for completion based on that contract.

Those are the HUD issues relating to that November report. There was one other HUD issue I wanted to discuss that's not on the report because it was not so much generated by a prior audit but by a letter from HUD.

In the future, I believe I'm going to include it on this just for tracking purposes. But, basically, the letter related to the -- excuse me. The letter related to program income.

And it was a November 2001 letter basically advising the state that we have not been receiving or posting our program income to the IDIS, and it indicated to the department that procedures must be implemented for state recipients to regularly report the receipt and disbursement of program income. Additionally, HUD also
expressed concern that the subrecipient they had visited was retaining their program income and we weren't adequately monitoring the use of that.

In response, the department has developed standard operating procedures effective in April that address the receiving of program income and the accounting of that. Furthermore, the -- all of the HOME programs for the 2000 year -- excuse me -- 2001 year and going forward prohibit the subrecipients from retaining and further usage of that program income, and it's going to be required to be returned to the department, which will make the accounting much easier. While it is allowable for the subs to do that, it's quite difficult keeping up with it.

The next issue is the KPMG outstanding finding relating to last year's single audit that they conducted in contract with the state auditor's office. This is Issue Reference 275 on page 7 of 7 of the report, and it relates to a lack of documentation supporting soft costs.

HUD's corrective action requires the department to review all subrecipient draws for project-related soft costs since 1999 and ensure that all draws are adequately supported and, if not, repay the funds with non-federal -- from non-federal sources. The department's planning on requesting from HUD to reconsider its corrective action.
The department believes that the corrective action being prescribed is based on HUD's belief that KPMG in their report projected questioned costs of $2.3 million, or 100 percent of the estimated soft costs for that year, 2001.

In discussing this issue with KPMG, they've responded basically that a projection to the total population is not possible based on their sample results because it was not a statistically valid sample and the reference to the $2.3 million in their report is an estimate of the total questioned costs -- excuse me -- total soft costs for that year assuming there was no documentation whatsoever.

However, their test results were 87.5 percent successful; 35 out of 40 was adequately supported. So that's -- the department believes HUD has misinterpreted this. We're going to clarify that. We're going to -- the department intends on providing a KPMG contact name and telephone for HUD to discuss this further. KPMG has represented that they'll be glad to clarify the wording in their report.

The department's also in the process of re-assessing its documentation standards relating to soft costs and what's required of them. And the documentation standards are really contingent upon your classification.
of different parties as either vendors or subrecipients with a much higher threshold standard for the subrecipients than for vendors.

So once the department comes to a conclusion on how particular parties should be classified, especially in regard to these five where support was not located by HUD, based on that classification, we'll be able to suggest to HUD, Here's the documentation necessary for these five. And, hopefully, we'll be able to provide that documentation.

If HUD accepts our proposal or accepts, acknowledges, that maybe they -- if in fact they misunderstood what KPMG was saying, I believe that the worst case or what would be reasonable would be that the department would have questioned costs for those five. The best case is that we'd be able to provide documentation for that.

MS. ANDERSON: And those five are the $29,400?

MR. GAINES: Yes, ma'am.

MS. ANDERSON: Okay.

MR. GAINES: And, again, the target date's going to be contingent upon HUD's response to this.

MS. ANDERSON: But we haven't sent them a letter --
MR. GAINES: That --

MS. ANDERSON: -- saying all this?

MR. GAINES: That letter has not been sent.

MS. ANDERSON: Right. Okay.

MR. GAINES: No, ma'am.

MS. ANDERSON: Do we have a target date for the letter to be sent to HUD?

MR. GAINES: I believe the status right now --

And, Ruth, jump in.

I believe the status is -- the conclusion regarding subrecipient versus vendor is pending a legal opinion from our in-house counsel. Once we receive that, we'll say, "These are the minimum documentation standards based on that conclusion," run that past KPMG and then submit the results of those efforts to HUD.

MS. ANDERSON: So can I have an answer to my question?

MR. GAINES: I'm sorry?

MS. ANDERSON: Can I have an answer to my question? When do we think the -- we'll be able to -- I mean, are we 30 days out? -- 90 days out?

MR. GAINES: I'm not able to really speak to that.

MS. CEDILLO: I'd say no more than 15 days out.
MS. ANDERSON: Okay.

MS. CEDILLO: We're waiting for some additional documentation from one of -- from the consultant who's providing some additional documentation on what services they provide. And what we want to do is have -- legal is reviewing what has been provided by one consultant.

MS. ANDERSON: Okay.

MS. CEDILLO: But I'm asking for another one so we can be sure that we have all the documentation we need, we can present it to KPMG and, if KPMG agrees with us, then we can present it to HUD.

MS. ANDERSON: Yes.

MS. CEDILLO: And until KPMG agrees, I don't think we can get the letter out.


MR. GAINES: These target dates are real difficult when we've got third parties involved. And often times, work in progress is contingent on timely communications back and forth. And --

MS. ANDERSON: Right.

MR. GAINES: -- if history repeats itself, it may be worthwhile to sit down with the appropriate people with HUD at the same table and work through this.

The next item on the agenda is the summary
status of internal and external audits. And for this item, I'm going to provide the summary results of the recent payroll audit that the internal audit division of the department completed. Sam Ramsey was the lead auditor on this project.

And, Sam, I don't know if you want to take a bow or not.

But Sam Ramsey's in the audience, also.

Pursuant to the Texas Internal Auditing Act, this report's being distributed to the department's governing board, the governor's office of budget and planning, the legislative budget board and the state auditor's office.

And the objectives of the audit were to determine whether adequate policies and procedures and controls are in place to provide reasonable assurance that payrolls are properly authorized and payroll amounts are properly supported and calculated, that the department complies with applicable state and federal reporting requirements, that access to the department's automated payroll system is properly restricted to those employees that need access to perform their job duties and that terminated or resigned employees are promptly removed from the payroll system.
And based on the results of our tests -- successful results -- we've found that payroll -- the department's payrolls were properly authorized, supported and calculated and that the department is complying with the payroll state and federal reporting requirements.

We did note several conditions relating to the department's payroll activities that should be corrected to ensure reasonable assurance that the control systems are accomplishing the objectives of safeguarding the department's resources and ensuring compliance with the relevant laws, regulations and management directives. These conditions relate primarily to employees' access rights to the uniform payroll system and those rights being greater than those needed for them to effectively perform their job duties.

This, combined with the multiple duties of the payroll officer, allow these positions the opportunity to process and record payroll transactions without authorization or documentation. Of course, the opportunity to do this would allow errors or worse to be posted to the payroll system and not be detected during the normal course of business; however, no such circumstances were noted during the course of our engagement.
Management, to offset these potential problems, these costs and these control weaknesses, has been relying on compensating controls. And, again, that offsets the weaknesses noted. However, these compensating controls had not been sufficiently documented for us as auditors to rely upon and gain comfort with.

I believe that the controls are working, because our test results were successful, considerably different results than a similar test I did in 1996. And so something has happened in that time frame, and I believe that these compensating controls document those and then we'll have that kind of documentation available for our audit. Management has acknowledged the conditions and has agreed to them and started taking corrective actions.

The audit also found instances of non-compliance with its internal policies of employees taking time off for FLSA overtime and to keep those hours under 80. As a result, overtime payments have been necessary. Executive management has re-emphasized the policy to management, and the payroll and HR management have proposed strategies to resolve this issue. I believe it's back on the radar screen and people are paying closer attention to it: Not that there will not be circumstances
where it's going to be necessary, but let's consciously
allow that and have processes in place to recognize yes,
overtime's necessary and have the proper approvals in
place.

Are there any questions relating to that
project?

(No response.)

MR. GAINES: Well, in that case, I'd just like
to really extend my gratitude to the HR management and the
accounting management and their staff for their
cooperation in the course of the audit. And it was one of
our smoother audits, I believe, and it went real well
overall.

MR. GONZALEZ: Great.

MR. GAINES: So --

MR. GONZALEZ: Thank you.

MS. ANDERSON: And thanks to you, also, Sam.

It was a very clearly written report. And we appreciate
management's timely response to our request --

MR. GAINES: Sure.

MS. ANDERSON: -- for reaction to your
findings.

MR. GAINES: That concludes the agenda items.

I guess I have a question to, I guess, the Chair maybe as
far as the level of detail for the full Board, especially
on these prior audit issues. I don't know if we're -- I
know that the issue in general has been elevated and
there's high interest and concern.

Historically, we've basically made the
reference that issues that were discussed in the Audit
Committee meeting and -- were either satisfied with the
progress being made or not, depending on the circumstance,
and make reference to a report that has been issued and
that management's in general agreement. I'm at your
pleasure on this. If you'd like to do a similar
presentation that I made today, fine. If -- I feel like
it's pretty summarized already. I could try to summarize
it further.

MR. GONZALEZ: If you could get it streamlined,
I think that that would be sufficient. We've got these
minutes that they have access to.

MR. GAINES: Well, I can certainly streamline.
So if I get too streamlined, I hope that someone will
speak up.

MR. GONZALEZ: Okay. Well, if some of the
other Board members have specific questions --

MR. GAINES: Okay.

MS. ANDERSON: Yes.
MR. GONZALEZ: -- then we'll let them ask them at that point.

MR. GAINES: Okay. Great. Thank you.

MR. GONZALEZ: Thank you.

That concludes the report items. So now we get to the executive session agenda. On this day, August 8, at the Audit Committee meeting of the Texas Department of Housing and Community Affairs held in Austin, Texas, the committee adjourned into a closed executive session, as evidenced by the following.

The Audit Committee will begin its executive session today, August 8, at 9:30. The subject matter of this executive session deliberation is as follows: Personnel matters, discussion and possible approval of performance evaluation for an internal auditor under Section 551.074, Texas Government Code, and discussion of any item listed on the Audit Committee meeting agenda of even date.

So we'll go to executive session at this time.

(Whereupon, at 9:30 a.m., this Committee recessed and met in closed executive session.)

MR. GONZALEZ: The Audit Committee has completed its executive session of the Texas Department of Housing and Community Affairs on August 8, 2002, at 10:12.
The subject matter of this executive session was:
Personnel matters, discussion and possible approval of
performance evaluation for an internal auditor under
Section 551.074, Texas Government Code, action taken,
none; discussion of any item listed on the Audit Committee
meeting agenda of even date, action taken, none.

I hereby certify that this agenda of the
executive session of the Texas Department of Housing and
Community Affairs was properly authorized pursuant to
551.103 and 2306.056 of the Texas Government Code, posted
at the Secretary of State's office seven days prior to the
meeting pursuant to 551.044 of the Texas Government Code,
and that all -- and that two members of the Audit
Committee were present, with the exception of Shadrick
Bogany, and that this is a true and correct record of the
proceedings pursuant to the Texas Open Meetings Act,
Chapter 551, Texas Government Code.

MS. ANDERSON: Mr. Chairman?

MR. GONZALEZ: Yes.

MS. ANDERSON: Do we need a motion to adjourn?

MR. GONZALEZ: Yes, we do need a motion to
adjourn.

MS. ANDERSON: I so move.

MR. GONZALEZ: Second.
All those in favor, say aye.

(A chorus of ayes.)

MR. GONZALEZ: Motion carries.

(Whereupon, at 10:16 a.m., this meeting was concluded.)
CERTIFICATE

MEETING OF: Audit Committee
LOCATION: Austin, Texas
DATE: August 8, 2002

I do hereby certify that the foregoing pages, numbers 1 through 34, 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.

08/17/02
(Transcriber) (Date)

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