TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

AUDIT COMMITTEE MEETING

8:30 a.m.
Thursday,
February 13, 2003

Room 437
Waller Creek Office Building
507 Sabine Street
Austin, Texas 78701

PRESENT:

AUDIT COMMITTEE:

Vidal Gonzalez, Chairman
Beth Anderson
Shadrick Bogany

STAFF:

Edwina Carrington, Executive Director
David Gaines
Delores Groneck
Suzanne Phillips
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CHAIRMAN GONZALEZ: I'd like to call the Audit Committee Meeting to Order. And we'll start with a roll call. Beth Anderson.

MS. ANDERSON: Here.

CHAIRMAN GONZALEZ: Shad Bogany.

MR. BOGANY: Here.

CHAIRMAN GONZALEZ: Vidal Gonzalez, here. All members are present. And we'll start with the public comment. I don't believe we have anybody.

MS. GRONECK: Not for now. They want to talk during the items as they go.

CHAIRMAN GONZALEZ: Okay. Then we'll go to Item Number 1, the Presentation, Discussion and Possible Approval of Minutes of Audit Committee Meeting of October 10 and November 14.

MR. BOGANY: So move.

MS. ANDERSON: Second.

CHAIRMAN GONZALEZ: We have a motion and a second to approve posted meetings of October 10 and November 14. All those in favor, say aye.

(Chorus of ayes.)

CHAIRMAN GONZALEZ: Opposed, same sign.

(No response.)
CHAIRMAN GONZALEZ: Motion carries. Then we'll call on Mr. David Gaines for the Quality Assurance Review of the department's Internal Auditing Division.

MR. GAINES: Good morning, Chair, members of the Committee, staff. Before we get started this morning, I'd like to first introduce to your our latest addition to the Internal Auditing Division, Kelly Crawford.

And, Kelly, please wave. Yes.

Kelly comes to us from the Texas Workforce Commission, where she served for four years as project manager, leading teams by conducting monitoring engagements, evaluating welfare reform programs.

She's worked closely with local workforce development boards regarding policy implementation, performance measurement, data accuracy, and program efficiencies.

Kelly has a background of experience, broad experiences in medical management and billing, as well as insurance and security industries.

And, Mr. Gonzalez, I was thinking of you in making my final hiring decision. Kelly has a Bachelor of Science degree from Texas A&M University.

CHAIRMAN GONZALEZ: It helps.

MR. GAINES: But I decided to hire her anyway.
Glad to have you, Kelly. We're real excited.

The first item on the agenda, behind Tab 4(a), is the Quality Assurance Review of the Texas Department of Housing and Community Affairs Internal Auditing Division.

This is an independent review of the department's internal audit function that's required by the Texas Internal Auditing Act and Professional Standards.

The lead auditor on the project, Catherine Melvin, is with us today. Catherine is a certified internal auditor, a certified public accountant, and was the Director of Internal Audit at the Texas Department of Protective and Regulatory Services.

And Cathy has graciously agreed to come over and give the results of her review. Cathy.

MS. MELVIN: Thank you, David.

Good morning, Chair Gonzalez, all the committee members, and Ms. Carrington. I'm pleased to present the results of the Quality Assurance Review.

In your packet we have a copy of that review, and I'll highlight some key things. The first thing I'd like to highlight is the actual objectives of that review.

As Mr. Gaines has probably explained to you, this is a mandatory requirement of all internal audit shops, even my
own shop. At some point I'll have to be peer reviewed also; not by David, by another auditor.

The purpose of the review -- the objective of the review, is fundamentally to ensure compliance. Compliance with -- actually right now we have two sets of standards that we must comply with, and the Texas Internal Auditing Act. So that was the main focus.

And also doing that, we also identified some Best Practices, and hopefully identified some suggestions for improvement. I'm pleased to report that your internal audit function fully complies with all requirements, both sets of standards, and the Texas Internal Auditing Act.

We did identify some practices that we wanted to highlight. These include involving management in the annual planning process, attending senior staff and administrative staff meetings, serving as a liaison with external auditors and reviewers, and providing consultative assistance.

I have highlighted a couple of -- or three actual noteworthy accomplishments I think should be mentioned. I'll just go over those very briefly. First, I'd like to say that the internal audit division is certainly very highly regarded in your agency.

It is a very consistent in the interviews that
me and another reviewer conducted, and also in feedback from the written surveys that we -- that were sent in to us. I think that speaks very well of your internal audit function.

The second is that the Internal Audit Division performs valuable assistance to management and its board through its various client assistance projects. I think this is an important function of any internal audit division. That the very definition of internal auditing includes both assurance activities, which are traditional audit activity, but also consulting activities.

And I think you get credit -- I believe a bang for your buck in utilizing your internal audit resources in those various projects that they do. One of the key advantages of that is some of the preventive work that they do, you know, come in up front rather than after the fact, saying, Okay. We should have done this, or we should have done that.

Lastly, I wanted to mention that we felt that the Internal Audit Division maintained a very strong agency presence, and that was fully supported by its board members. And we're pleased to see that internal audit is a regular agenda item, and it stays in close contact with its audit committee and the board members. And we felt
that that led to a very effective and strong audit function.

We had a couple of suggestions. None of these are related to compliance, do not affect the rating of fully complied. But you know, as auditors, we have to offer up something. Not doing our jobs if we don't have some suggestion.

The first one I have is to consider updating the internal audit charter. In about 2000 we underwent quite significant revisions to our standards, including revamping our definition of internal auditing.

Audit shops across the state, or across, you know, the country, are getting in line with the new standards. You know, all of us are in the process of updating the charter. I believe it would be a good time for you all to take a look at that and make sure it incorporates that new language and some of those requirements.

A lot of attention on auditing these days, considering recent events. And it's really important that, I think, our internal audit functions are in line with what the standards require them to be.

Second is to ensure that the job descriptions and the internal audit charter specifies compliance with
the Code of Ethics. Currently they do say that, "All professional staff of the Internal Audit Division shall meet standards." And I think part of the layman's understanding is that the standards typically incorporate the Code of Ethics.

And I think that we have -- the fact that we have a specific internal audit Code of Ethics is a strong point in our profession. And again, I think considering recent events, I think we ought to go ahead and state it, and say, you know, we ensure compliance with that. Not that I found any evidence, certainly, that they weren't. But I think it's good to go ahead and say that.

Lastly, my last recommendation is to actually request a board review of internal audit resources periodically. This is not a requirement. I mean, it's something for you to consider. Right now, currently, I think the actual internal auditing act states that the administrator of the state agency shall determine that the internal audit function has the adequate resources to conduct the work that they need to do.

But I think you as board members, and certainly as Audit Committee members, have a strong responsibility and oversight responsibility to ensure that your function -- your internal audit function that reports...
directly to you, has the resources it needs to cover its risks.

Now, it's always a balance, you know. We -- and times are very limited, and even more limited resources. And the risk is always high. But I think that's a call that the board members should periodically review and go over it and ensure that you're comfortable with accepting whatever level of risk that might lie there.

Okay. Finally, my very last comments. The last two pages of the reports are a very brief summary of the written survey results that were sent in. We either interviewed or sent a written survey to all of the managers and directors, including Ms. Carrington. And those people that we didn't actually interview face to fact, we sent these surveys. So this is really just a result of that.

And I think you can quickly see that the results were very positive. Some -- I included each of the comments verbatim. At the bottom you'll see those all in italics. And all of those I thought were very positive also.

Some recommendations, some ideas to consider, and -- but all in all, very strong and good comments. And
that concludes my presentation. If you have any
questions, I'd be happy to answer any.

CHAIRMAN GONZALEZ: Any questions? Okay.

MS. MELVIN: Okay. Thank you very much.

MR. GAINES: Thank you, Catherine. At this
point, I'd like to part from the Agenda just a little bit,
and skip to the Agenda item behind Tab D.

This is the results of an audit by the State
Auditor's Office on the Performance Measurements at 14
different state agencies. The assistant project manager
on the audit, Victoria Harris, is kind enough to break
from her schedule to come over and present the results of
this audit as it relates to the department. So at this
time, I'll turn the podium over to Victoria. And her
assistant manager.

MS. VICE: Good morning. Thank you for
inviting us to provide some testimony on this report that
was recently issued in November. These are results of the
Performance Measures Audit. My name is Sandra Vice, and
I'm the audit manager of this audit.

The project manager, Pam Ross, could not attend
this morning, because she was providing testimony across
the street for another agency. But with me today is
Victoria Harris. She was the assistant project manager,
and will provide for you the results of the audit. Thank you.

MS. HARRIS: Good morning. The objectives of our audit were to determine whether or not the department is accurately reporting its key performance measures results into the automated budget database. It's called ABEST, and to determine whether or not the department had adequate control systems in place over the collection and reporting of this performance measures data.

We also reviewed controls over the collection, cancellation and submission of data used and reported performance measures.

We traced performance measure information to the original source documents whenever possible. The audit report was released in November 2002. State agencies and the LBB established an agency's performance measures definition and performance targets.

Accordingly, the agencies report their results into the automatic database, ABEST. Periodically, the state auditors office performs audits of these reported results.

State auditors office evaluates the agency's control system, tests the source documentation, and recalculates the measure's results. At the conclusion of
our audit, each measure is given an designation on its level of accuracy and reliability.

There are four definitions and designations for performance measures results. And they are: Certify, which means that when we recalculated the results, it was accurate and the control systems are expected. To be accurate, the agency results reporting ABEST must be within a plus-or-minus-5 percent variance of our recalculated results.

And the effective control system should provide reasonable assurance that the information is properly collected, calculated, and correctly reported.

A measure is designated as Certified with Qualifications if it is accurate, but control systems are not adequate to ensure continued accuracy. A measure is designated as Factors Preventing Certification if we are unable to determine the actual results due to missing or unavailable source documentation, or a deviation from a measured definition that prevents calculation of the correct result.

A measure is designated as Inaccurate if a reported result is not within the plus or minus-5 percent variance of actual performance, or if there is an error rate of 5 percent or more in the source documentation.
We considered the audit -- we consider designations Certified and Certified With Qualifications to be considered reliable reporting for the ABEST result as being accurate. The department reliability percentage rate as 43 percent. None of the seven audit measures were rated Certified. That is, none of the measured results were both accurate and had effective controls in place.

Three of the measures, and I'll name them -- 1), Percent of Household Individuals of Moderate Income Needing Affordable Housing that subsequently received housing or housing-related assistance, 2) project the number of very low and low-income households benefitting from HOME investment programs, loans and grants, and 3) the number of complaints resolved, were certified or designated with Certified With Qualification, and are considered reliable. That is, the result was accurate, but controls are not adequate.

We selected seven of the department's key performance measures. We audited results for Fiscal Year 2001 to determine whether they were accurate. Four of the seven measures audited, 57 percent, cannot be relied upon. These four measures were designated as Inaccurate, which means that they were not within a plus of 5-percent variance range, or they were over or above.
And those four measures were the percent of small community populations benefitting from public facility economic development housing assistance and projects, the percent of persons in poverty that receive homeless and poverty-related assistance, the number of persons assisted that achieved incomes above poverty level, and the average number of days for complaint resolution.

Additionally, we found that the department did not have adequate control systems in place to reasonably assure the accuracy of reported results for any of these auditing measures.

The department has agreed to implement all recommendations. And speaking of David, he wanted me to direct you guys to the distribution list for the report that was released in May. And it's on the last page of the back cover of the overall report.

This concludes my remarks. I'll be glad to address any questions.

CHAIRMAN GONZALEZ: Any questions?

MS. VICE: Do you all not have that page? It's on the back cover of the report.

MS. CARRINGTON: Oh, there it is. Okay. There we go. There we are.
CHAIRMAN GONZALEZ: Any questions?

MS. ANDERSON: I maybe have a question, Ms. Carrington. That the responsibility for preparing these measures -- is it spread all across the agency, or are most of these coming out of community services, or --

MS. CARRINGTON: We have one staff person in the agency who performance measure information is given to that staff person.

MS. ANDERSON: Okay.

MS. CARRINGTON: And they have the responsibility for preparing the information, entering the information into the performance measures.

CHAIRMAN GONZALEZ: Any more questions?

MS. HARRIS: Thank you.

MS. VICE: Thank you.

CHAIRMAN GONZALEZ: Thank you very much. I appreciate it. Thank you.

MR. GAINES: If I may, I'd like to just elaborate a little bit on Edwina's comments, and the calculations or the information is developed and compiled at the -- each individual area throughout the department. And this one person compiles this information for ABEST.

MS. ANDERSON: What kind of a work do you process does it go through? I mean --
MR. GAINES: That primarily is the control considerations the auditors were referring to. It's the review of documentation. And since that time, a form has been developed that's about the same in use on the most recent performance measurement report, which says that -- it's basically the director saying, I've reviewed this and approved this report.

MS. CARRINGTON: Probably one other comment is that we are -- we have moved the responsibility for performance measures from the Community Affairs area, which just happened to be where the person was who was doing it --

MS. ANDERSON: Right.

MS. CARRINGTON: -- to the Center for Housing Resources Strategic Planning and Communication. Again, with the idea that since it's the overall agency performance measures and how well we're doing meeting those performance measures, and that should tie in with the strategic plan and of the agency that indeed would think that that's a more appropriate area for it to be in.

And I will say one thing in defense of staff, which I'm always going to do if I think it's defensible. And that is that the person who was doing the performance measures had really gotten some conflicting information.
If you look at the recommendations on each one of them, especially the ones that are noted with Inaccurate, basically what they had been told was if you had activity past August 31, you didn't go back and update based on number of persons served or households, or whatever that performance measure might be.

What the State Auditor's Office did was actually look at those adjustments that should have been made after the end of the fiscal year. So we really got caught in the middle of what we believe was certainly some conflicting direction on what we should be doing.

As David said, those control mechanisms are being put in place where we're clear with what the State Auditors Office has told us. And, you know, we believe that once those controls are in place, that next time we have this kind of review, that we will be much more than 43 percent.

Sort of looking on the bright side, if you look at the chart, you're right in the middle. There were six of us who had percentage reliability that were less than we did. And then seven of us -- seven agencies that did have percentage reliability greater than we did, out of the 14 that were tested.

MR. GAINES: Thank you for those comments, Ms.
Carrington. And a couple of them I wanted to emphasize related to the information coming in after the end of the year. I believe in having the auditors that conducted the reviews to present them, because they might have a particular issue they want to emphasize, or a particular word that I would lose in that translation.

The other half of that coin is management believes these errors, for the most part, are representative -- are the results that their calculations fairly represent what has been reported.

One of the areas in the 5 percent calculation was relating to -- as the auditors were testing the documentation supporting their individual tests, exceeded their 5 percent error rate, at which point they stopped. So they never got to the final calculation of what they believed it should be.

They related to Manufactured Housing Division on the timing of resolving complaints. Just how do you calculate the point of time a complaint's received versus once it's disposed of? So and --

I want to point out a couple of things along those lines to you. Okay.

MS. ANDERSON: We're just in a tough climate, and we want -- you know, we have a very strong track
record here of serving significant numbers of people, and
meaningfully impacting the lives of those people.

And you know, I appreciate manager -- I appreciate what the management and the staff have done to, you know, put a stronger process in place, because we all know we've got to be more -- about more than good intentions.

We've got to be about results in this agency, as I believe the staff is. And so we just want to not have, you know, doubt cast on these -- and some of these are really big numbers that we report in terms of number of people served and stuff.

So that's just a linchpin to our helping the Legislature and our constituencies understand, you know, the key mission of this agency, to have these numbers. These are something that everyone will look on credibly.

MR. GAINES: Finally, and one last comment on this agenda item is management believes that they were doing what they're now actually documenting. That the directors were looking over their results. And it's a matter of documenting, which is always a cost. And we just need to recognize some instances where you have to bear the costs.

The next agenda item -- we're going to go back
to 4(b). And this is the Annual Review of the Department's Performance of Duties defined under a Memorandum of Understanding between the Resolution Trust Corporation and TDHCA.

In general, these statements relate to the department ensuring that the owners of Affordable Housing Disposition Program properties satisfactorily live up to their commitments defined in their related land-use restriction agreements.

And I'll just refer you to a couple of phrases in the report that I believe summarizes the overall conclusions fairly well. On the first page, or your transmittal page of the report, second paragraph. "Again, you and your staff continue to be the benchmark that the FDIC uses to compare all other monitoring agencies for the FDIC affordable-housing program.

On the next page, under Conclusions, "TDHCA continues to produce an exceptional work product." And that summarizes the overall report. And the credit for these outstanding efforts is listed there under staffing. And that's Suzanne Phillips, Director of Compliance. I don't know if any of them are -- yes, they are here. Suzanne's here. Sara Newsom, Compliance Manager. Nancy Dean, Senior Compliance Monitor, and a
number of your staff. So thank you, Compliance Team.

The next agenda item, under Tab 4(c), A Legislative Summary Document Regarding Department of Housing and Community Affairs.

This document has previously been provided to you under an email that I've sent. And it was prepared by the State Auditor's Office for interested members of the Legislature, our oversight committees, the Sunset staff. And it's my understanding that similar documents were prepared for another 80 agencies.

You will note at the bottom of page -- the bottom text box on the first page that this is not an audit, and the materials included in the report have not necessarily been subjected to the same procedures an audit would go through.

The first page is a summary of the State Auditor's observations. And this information is based on recent reviews by the state auditors that were not considered audits, and also based on audits since the last legislative session.

In instances they refer to earlier audits, when the audits since the last session made reference to those earlier audits. So these -- some of these go considerably -- a good time period back.
I would like to just walk quite briefly through the report touching on some of the highlights, and the current status of some of these issues.

What's being reported to you is the status at the time of the report. And I suspect this could be a considerable source of questions going through the legislative session.

The first paragraph refers to inadequate controls over the subrecipient-monitoring function of the HOME Program, and refers to the fiscal year 2002 HOME audit currently underway. So this was last year's audit comment, and it refers to a current audit apparently underway.

The most recent status meeting in the current audit, in a draft report that the department is currently responding to, indicates that this issue has been largely resolved.

KPMG expressed continued concern in the status meeting and in their draft audit report. That continued concern relating to the first half of 2002, however, indicated no significant sections and processes or controls developed or applied during the second half of 2002.

The only concern expressed relating to the
second half was the need to better document technical assistance visits. They summarize by basically saying continue doing what you did in the second half.

They also recommend that these monitoring procedures applied during the second half be applied to all of our contracts. We have been applying those procedures only to the more recently awarded ones beginning with the HOME 2001 cycle.

The next paragraph refers to the certification audit that was just discussed with you. The following paragraph relates to recent nonaudit reviews by the SAO, of data supporting the department's legislative audit request -- appropriations request. Excuse me.

And the SAO concludes that the department had reasonable processes in place for estimating revenues and legislative appropriations requests, and expressed concerns that the department did not have written procedures for estimating expenditures.

However, they didn't note any problems, you know, in estimating the expenditures. They did point out that the department's expenditures in the previous LAR were significantly less than actual expenditures. However, there was reasonable explanation. And that relates to unexpended federal government spending.
authority that wasn't originally known or anticipated at
the time of preparation of the LAR.

And the final paragraph refers to the Sunset
Commission's staff recommendation that the department be
continued for 12 years.

The next couple of pages discuss this financial
data and reasons for significant fluctuations between
appropriations years. This is just some explanation of
our cash flow, and why some of these fluctuations are
significant. The fact that they are significant is not a
problem in itself. You just have to understand the cash
flow and the reasons for that. And that's what we're
trying to explain here.

Beginning on the bottom of page 3, the SAO
reports key findings from previous audits. Their
reference also makes reference to an ongoing audit of the
Community Affairs and Section 8 Program. At the most
recent status report on this engagement, the SAO indicated
that this project was being completed in February, and
they expected a report to be released late February or
early March.

So we expect a report on that soon, and you'll
be provided a briefing on that audit as that occurred,
once that happens.
Page 4 provides summaries of some of the more significant audit issues over the last couple of years. The first one relates to soft costs not being adequately documented. This report was released February 2002. It relates to the 2001 year.

The department believes that it's -- the current documentation requirements were adequate. The remaining pieces to this finding is the disposition of the costs that were questioned.

The department also continues to negotiate with HUD on its required corrective action relating to this issue. HUD has prescribed corrective action requiring the department to go back and document soft costs for 1999, 2000 and 2001.

The next issue, Subrecipient Monitoring/Monitoring Visits, also relates to the 2001 period. And it relates to the tracking of monitoring visits and outstanding monitoring reports.

This issue has been reported by management as implemented during KMPG's recent status reports and draft report. The issue is not brought back up, which implies it's been satisfactorily resolved.

The Allowable Cost Issue relates to funds embezzled by one of the department's subrecipient...
employees. As you know, this issue has been resolved. The subrecipient has refunded the department, and the department has refunded its funding sources.

The next issues, Subrecipient Monitoring/Allowable Cost Activities relate to a HOME audit of administrative funds conducted by HUD's Office of Inspector General. This report was released in January 2000. If my memory serves me, this was discussed with the last Legislature and committees of that session.

All issues within this report and related questions to cost have been resolved with HUD at this point.

At the top of page 5, the SAO is referring to OASES, which is the Integrated Statewide Accounting -- excuse me -- Administrative System of selected state agencies. A review conducted by the SAO, including TDHCA -- was included in the selected state agencies.

They reported that the department had not fully implemented OASES at this time. That was January 2001. It was reported to the board April 2001 that this issue has been implemented. And you will note in the text box that the department has more recently reported to the SAO that this issue was resolved.

Then there is a brief comment about the
department implemented in the SAO recommendations relating
to quarterly investment reports being provided more
commonly to the board. And I'm sure you recognize those
activities by the Accounting Division and Financial
Services.

The next section on page 5 is a discussion of
performance measure certification audit again. We just
went through that. Page 7 relates to various technology
considerations that are general in nature and do not
require corrective actions by the department.

Likewise, on page 8, the department's travel
expenditures over the last several years. This is
information for the Legislature. It does not require any
corrective action by the department.

Okay. I felt it was important to go through
that, because again, across the street this is being
passed around.

The Status of Prior Audit Issues -- Tab 4(e).
Please note before we get started that the status order --
the way it's being presented to you has changed from
previous reports. The most recent status reports are
being listed first. And the prior status updates, if you
will, are being listed in descending date order.

MS. CARRINGTON: The idea is you want the good
news first. We've got good news to tell. We want make
sure you all have an opportunity to see it.

MS. ANDERSON: And I have to say, these reports
are very helpful, to see some of the history. To see, oh,
yes, last April we said this. And now we're -- it's
very -- I think these reports are well done. I mean, they
give -- at least for me, they give me kind of a sense of
what's going on. And most of that is a -- is good news.

MR. GAINES: I will say it's a real challenge
in keeping them brief, while trying to provide a complete
history, and prior comments on prior reports are maybe
dropping off, because I don't think they're that relevant
considering the current circumstances. If anyone is ever
interested, we have a complete history.

Well, I'd like to -- well, there are 16 issues
being reported to you. Seven of these issues are being
reported as implemented, or otherwise resolved. Eight
issues have been reported as in progress of
implementation, and one of the issues is being reported as
delayed. And I'll explain the reasons for that --
acceptable reasons.

While I'd like to give credit for those issues
that have been reported as implemented, for the sake of
expediency, I'll move to the other issues.
The first issue is Issue 119. This is being reported as partially implemented, no further actions intended. And I always point these out. It's considered resolved. I point them out because there is always some remaining risk that something isn't fully addressed. However, it's considered an acceptable corrective action.

This issue relates to the department establishing formal policies and procedures regarding joint monitoring visits, whereby the department would monitor multiple programs simultaneously in instances where a contractor or subrecipient was administering more than one of the department's programs.

With the reorganization, this is not as important as it used to be. All housing programs are to be monitored by the Portfolio Management Compliance Division.

It's been agreed that in instances where a contractor also has contracts with programs administered by the Community Affairs Division, the division or program initiating the monitoring visits will coordinate with the other division or programs.

MS. ANDERSON: Have we actually done one yet, where it's a joint monitoring visit, where we're looking at multiple things?
MR. GAINES: We have done one, and we've done two. I'm not sure how many we've done. We've done, I'd say a small handful. Someone may be able to speak to that better.

MS. ANDERSON: Is it going okay? Is it going all right?

MS. CARRINGTON: Is it a small handful, Suzanne?

MS. PHILLIPS: Suzanne Phillips, Director of the --

MS. CARRINGTON: Portfolio Management and Compliance.

MS. PHILLIPS: Thank you. I will have it. It's hard to write. We've been doing joint monitoring on and off for about eight years. We've actually implemented some procedures to do team monitoring following specific portfolios in the last two years, and have done, I'd say, maybe four to five as a team. And they've been very successful.

The subrecipients were helped quite a bit, because we had both the programmatic view, and a financial view from the CPAs. So it has been very beneficial.

Thank you.

MR. GAINES: Thanks. I'd like to point out in
that respect that I believe the visits -- two visits up to this point have been prompted by problems noted at a subrecipient or significant financial issues, which the reason I'm bringing that up is it's more the problem subs where this is occurring. And I'd just like management to consider doing it, regardless of it's a problem or not.

MS. ANDERSON: I mean, is it now it's more of a standard operating procedure?

MR. GAINES: Well, no, it's not. But the recommendation itself is encouraging management to do it regardless of if there is significant issues relating to that sub. I believe it would be more effective, more efficient, and you have opportunities to test for duplicate payments of the same documentation by multiple programs, which is real difficult if you're monitoring each program individually.

And that is such a problem, it's been prescribed in the state law that we need to design procedures to do that. So again, I think we can move further in that direction.

MS. ANDERSON: We've just had horrendous past problems with selected subrecipients.

MR. GAINES: And that's generally what's prompted the partnership visits.
MS. ANDERSON: Okay.

MR. GAINES: The next issue, issue reference 252 on page 2 of eight, relates to the department considering the establishment of an agency-wide construction and inspection section contracting with third parties to conduct inspections and similar considerations. The department is centralized to this function in the Portfolio Management Division under the new organization, and plans to fully develop this function in connection with the implementation of the reorganization.

Issue 187 on the same page, page 2, is the issue that's been delayed pending a response from HUD. This issue relates to the department established of family self-sufficiency program for the Section 8 program. And the department submitted plans to HUD, and is waiting to hear back from HUD regarding 90 percent of those plans.

MS. ANDERSON: I have a question about this because I get confused. We asked for a waiver because there are -- I think we originally asked for a waiver because we didn't feel like there were sufficient supportive services in these market areas, or something?

MR. GAINES: Yes, ma'am. That was --

MS. ANDERSON: To -- right? To establish an
FSS program. And now it looks like either they declined our waiver request, maybe. And so now we're saying we're going to model it after something -- we're going to try in Brazoria County. I'm confused.

MR. GAINES: HUD basically almost declined our waiver request. They requested that we do a survey of capacity, which we did. The results of that survey indicated that maybe we can do this.

MS. ANDERSON: Okay.

MR. GAINES: We developed a program in Brazoria County --

MS. ANDERSON: Brazoria.

MR. GAINES: -- which we've submitted to HUD. If that's acceptable, we'd like to apply that plan to the other areas.

MS. CARRINGTON: And actually, we have been requesting waivers on an annual basis. And we're already looking at the possibility of doing it and not requesting waivers anymore from HUD, because we felt like it was something we indeed could implement.

MS. ANDERSON: Good.

MR. GAINES: Of the remaining seven issues that are in process of implementation, six of them relate to the HOME Program. In general, in October 2002, the
The department reiterated and summarized the communications to date, and made references to documentation previously submitted, and provided current status of each of the issues and planned strategies for addressing the remaining issues.

Considerable documentation was provided to substantiate the actions taken to date, in addition to considerable documentation provided in July 2002. We had a status update communicated that the department was in general agreement with all the findings, and is proceeding with the corrective actions, except in one instance. And this relates to Issue 253 on page 3 of eight.

You'll note that HUD has concluded that the state is not providing an adequate monitoring oversight of HOME processing and construction activities. HUD concluded that the properties assisted by several of the HOME activities have insufficient or no documentation that they are in compliance with equitable standards and code requirements.

HUD's corrective actions require that all units assisted from 1998 through present with HOME funds should be reinspected to ensure compliance code requirements.
As previously reported to you, the department disagrees with this assessment, and contends that HUD's monitoring and sampling techniques were faulty, not representative of the type and quality of projects developed by the subrecipient, and that HUD did not review complete files.

Based on work done by the department, and concluding the 23 files that HUD had sampled, plus an additional 120 files which tested successfully for completed inspection forms, the department believes and communicated to HUD it's not reasonable to use the department's limited resources reinspecting all units since 1998, and proposed a 7.5 percent sample, which is 108 properties, to provide additional assurance into the work and documentation we've already provided.

HUD responded in a November 6 letter that it expected a 25 percent sample, or 350 inspections. The department has responded to HUD in December that includes -- we continue to negotiate with HUD over this number.

It includes let's stratify the populations and test separate activities, separate lays, separate sample sizes. We believe it would be more efficient.

HUD indicated in a recent conference call that
it is working with the Washington office to consider information and proposals offered by the state. HUD has agreed to sit down with the department to consider the documentation provided by the department up to this point, which we still have not had response to the adequacy of. And we have had different correspondences, but they've never spoken to the documentation we've provided them.

And I'm not real sure when this meeting is going to occur, or if it's been scheduled or not. But that's in the works at this point.

The department continues to work on the remaining five issues in accordance with HUD's corrective actions, plans. And I'll just touch on a couple of these. I'd like to refer you to Issue 255 on page 4 of eight.

This issue relates to correcting errors on IDIS, HUD's management information system. This issue has been going on much longer than even reported there in front of you. I believe this issue first became an issue by a HUD technical assistance visit. Their report for that visit was dated 1998, and speaks of errors in CMIS, the predecessor system to IDIS.

Uncorrected errors in that system rolled over to the new system during conversion. So this is an old,
outstanding issue. And the reason I wanted to emphasize
that is because I wanted to point out the recent progress.

1,598 -- 1,592 of 1,885 required corrections,
or 85 -- 84 percent are being reported as complete, and as
a result of a fairly recent initiative by the department
to clean up IDIS.

The division -- the Compliance Division is
doing this work. It expects another four months for full
cleanup. Not only does this clean up the system, it
clears the finding, and it may also result in identifying
funds previously committed that could be deobligated for
other purposes. Yes, ma'am?

MS. CARRINGTON: David, I have even better
news. It was on my desk this morning.

MR. GAINES: Okay.

MS. CARRINGTON: The staff has completed 1,792
corrections. These corrections total about 95 percent of
the HUD-identified corrections.

MR. GAINES: Well, that's outstanding. That's
another 200 corrections since these board materials were
submitted.

The next issue, 256 on page 5 of eight, has
been reported as implemented by management. This relates
to the contract for deed conversions for the purchase of
land, whereby construction of housing units was not started within the required 12 months.

Although HUD has not reported this issue as cleared, management believes that the action to date fully addresses the corrective actions required.

Management continues to work on the next two issues with the subjects of subrecipients here. These issues relate to amending land use restriction agreements, which is Issue 258, and Issue 260, which relates to compliance with the Model Energy Code and a complex's compliance with Section 504 accessibility requirements.

If you'll all note, the next two issues, 274 and 276 on pages 6 and 7 have been reported as implemented. These are financial reporting issues that have resulted from last year's opinion audit.

Once Deloitte and Touche releases their management later this year, and there is no reference to these issues, these issues will be classified as implemented, based on the independent assessment. We don't expect these to be repeat comments. There has been no mention of them.

Next I'd like to refer you to 264 on page 7. This issue relates to developing process and procedures to acquire all necessary loan documentations to support the
department's financial interests in the HOME Program's Homebuyer Assistance Program loans.

Management's reporting this issue as corrected by implementing processes to ensure complete documentation, including holding future draws of administrators who fail to remedy long-standing documentation issues.

On this I just wanted to point out the internal audit comment. The time period for long-standing documentation issues, I believe, needs to be specifically defined so advance collection efforts can be consistently applied.

Without a clear definition, the department risks increased difficulties in collections with the passage of time. Currently there is many lines that have long outstanding documentation issues. Some of these we may not even be contracting with any longer. So this continues to be an area that's -- we're reporting as implemented. And I just wanted to point out those remaining risks on that.

MS. ANDERSON: I have a question.

MR. GAINES: Yes, ma'am.

MS. ANDERSON: How do you decide that you're going to classify something as reported as implemented?
MR. GAINES: The legend to the report. There is two --

MS. ANDERSON: I know. But how do you decide that it moves --

MR. GAINES: Let me respond to you. Of course, management can report it as implemented. And I'm satisfied with that --

MS. ANDERSON: Right.

MR. GAINES: -- I accept it. If I'm not, I'll have some follow-up comments, da da da da da. Independent auditors can consider something implemented, at which time I don't question it too much. And if I know something to the contrary, that would be worked out before they ever reported it.

MS. ANDERSON: Uh-huh.

MR. GAINES: So those are the two ways. In this respect, I feel like they do have procedures to accumulate necessary documentation. I haven't seen instances of draws being withheld to ensure all documentation comes in. I'm not real sure how well that's going to work. And I -- in instances I don't think it's going to work at all, because we have old, outstanding documentation issues that have not been fully addressed.

MS. ANDERSON: Then my question to you is, is
this not one that you might want to see a little more
evidence of implementation before you classify it as
implemented? I mean, I know we're trying to get this
report -- you know, we're trying to move the report south,
not north, in terms of its volume and number of pages.

But --

MR. GAINES: But I guess that is a large part.

But at the risk of being negligent in my duties, I guess
what I was having in mind was that this was one of those
implemented issues that we need to follow up on and see
exactly where we're at. We have responsibilities to
follow up on --

MS. ANDERSON: I just wondered what your
mechanism is for following up if it's not on this report.

And I don't know if we're -- long standing -- I mean, I
don't know if we're talking about a bunch of them, or if
we're talking about three of them.

I don't know how significant, either in dollar-
wise, or you know, risk-wise to the agency, how big this
risk is. But I guess I just want to make a general
statement. I don't want us to unnecessarily declare
things as implemented because we're more interested.

We're making great progress.

The staff deserves a lot of credit for working
on these very old, stale items that require all of this, you know, going back in, you know, to the Stone Age to figure out what happened years ago. You all are doing a great job.

But we just don't want to get overexuberant about reducing the size of the report, you know, at the expense of something that -- you know, I'm not trying to give you 72 things to manage -- monitor, David.

But I just want to say let's be -- let's give credit to things that are implemented when they're really implemented, but let's just make sure that we're still tracking by whatever mechanism works for you and this committee, things that you feel in your judgment, you know, still need some follow-up.

MR. GAINES: Those are all excellent comments, Beth, and I guess my question to management is do we have confidence that holding future draws is going to be effective? And it would be effective, you know, if we were consistently applying it, if we had a definition of long outstanding documentation issues, which we don't have. And that's what I'm suggesting here.

This is -- and I guess I was accepting implementation considering, you know, if this works, great. And it will be something we have to follow up on.
Now, we'll follow up on things that are reported as
implemented, even though they fall off the system, if they
have not been implemented per an independent review or
assessment.

We just don't want to leave all the --

MS. ANDERSON: Right. I mean, I just hate to
see this show up in an audit -- you know, in an
independent auditor's report. So anyway, I've probably
spent too much time on this. But --

MR. GAINES: Okay. Well, let me suggest
visiting with management, seeing where we're at on this,
seeing if this is something we feel like we should
continue reporting until we're fully satisfied.

MS. ANDERSON: Okay. Till the -- till we have
a little history. I mean, I'd feel more comfortable if we
had actually withheld a draw based on some standard, and
we knew --

MR. GAINES: Right.

MS. ANDERSON: -- that we had actually took --
to me, that tells me we're implemented.

MR. GAINES: Yes, ma'am. Okay. The final
issue I want to discuss is on page 8 of eight. This is
issue reference 268. And this relates to the soft cost
issue that we spoke of in the legislative summary report.
And in a recent status meeting with KPMG, they indicated
that they are satisfied with corrective actions taken by
the department.

And so going forward, we don't see this as
being a problem. We feel like the issue has been
resolved. However, that still leaves open the question on
the prior costs and documented soft costs since 1999,
pursuant to HUD's corrective action.

Any further comments relating to these issues?

MS. ANDERSON: I have a couple of questions.

MR. GAINES: Yes, ma'am.

MS. ANDERSON: I have a question on the first
finding, which is 136 on page 1 of eight. Again, I'm just
very sensitive to all of the prior problems with
subrecipients, which is just part of our standard. I
mean, that's how we get a lot of stuff done here.

So subrecipients aren't going away. But given
this, I guess it's sort of the same issue on this one that
I had on the last one. We're showing it as implemented.
We have a monitoring and tracking, you know, checklist.
You're --

I save these old reports, which is everybody's
worst nightmare. So I went back and looked at the
November report. The checklist was running in November --
I mean, on October 25, per your November 5 report. Now --
and now we're -- you know, now we're in a reorg, and
expected March of this year. And so now we're going to
implement it in connection with the effective date of the
reorg.

You know, my question is, you know, is this
something that we want some experience with, because it's
just the source of myriad other audit findings. So I
just -- maybe the thing to do is just to, you know -- I'll
just note my same concern I had on the other one, and you
know, maybe that's a conversation with management, or some
sort of rigorous follow-up process so that you know it's
implemented and working.

MR. GAINES: And if I may, I'll speak to that
just briefly. This is an issue that Ms. Carrington and I
have talked about. And all the preliminaries have
indicated they are now capturing this information, and
it's available for other program areas.

We jointly discussed our concerns about how
available it is for that area, and expect them to really
use and benefit from, which of course the database will
help address.

Recognizing those continued concerns, and Ms.
Carrington asked if I would include this in my audit plan
for this year to do a follow-up. And I kind of imagine that review to look at the adequacy of the information being made available to people, and how is it that the other program areas are aware, so that they can access it.

MS. ANDERSON: The last question I have, Mr. Chairman, is on page 5 of that. It's Issue 256. And it's really not an audit question. It's a question or a comment, really a question for Ms. Carrington. This again is on a HUD audit.

And there is an issue around contract for deed.

And what got my attention, and maybe this was on the last report, was that we had a contract-for-deed program that we contracted for $2 million, and we just -- you know, we just -- it didn't get very far off the ground.

And you know, given our commitment to serving the people in the colonias, this is -- you know, I'm -- I just wanted to kind of go on record -- use this as an excuse to say, you know, I'm very concerned that we develop creative ways to have effective programs in the colonias, including contract for deed.

And if that means we need tighter coordination with the Water Development Board, who is doing a lot of infrastructure in colonias, or whatever it means, it -- you know, I'm just -- you know, I want us to have an
effective program in the colonias, and I think contract for deed is an important component of that.

So this was just -- I read it, and I was just disappointed that we didn't get it done in this vehicle. We just need to make sure that we're doing everything we can to have effective programs.

MR. GAINES: Yes, ma'am. Tab 4(f). This is --

MS. CARRINGTON: David, I'd like to make one comment --

MR. GAINES: Yes, ma'am.

MS. CARRINGTON: -- related to the chart, and a knowledgeable staff, Ruth Cedillo and Suzanne Phillips and Lucy Trevino had a call with HUD maybe two weeks ago, I guess, because HUD finally reviewed the July information we sent them, and the November information we sent them, which was either one or two boxes. We just sent everything to them again. We wanted to make it as easy as possible.

And on that conversation, on that conference call, which I think lasted at least a couple of hours, they were able to resolve many of the audit findings. There are still about three or four, that as David said, we are negotiating with HUD on. But they have finally agreed on several of the audit findings, and are clearing
them. So I just want to acknowledge that that worked on that, and has gotten that accomplished.

CHAIRMAN GONZALEZ: That's great.

MR. GAINES: On Tab 4(f), behind Tab 4(f), Status of the Construction Inspection fees, you'll note that the top half of the page, and I've indicated there, that that information has not changed from that previously reported to you.

There is a net $100,000 balance due to the department. And that's consistent with approximately $203,000 in fees due from project owners, less 103,000 in overpayments to the department that may need to be refunded.

About midway through, for a couple of status comments as of January 31, 2003: The division -- the Tax Credit Division continues to investigate project-level details, supporting balances due from and due to project owners.

The investigations have identified some minor adjustments to the balances reported to you. But again, they are minor. They don't affect the net balance. It's just how some of the payments have been applied to individual projects.

The second bullet relates to additional
collections since the end of September. So another $8,000 have come in. So you can reduce those amounts due from -- by that 8,000.

Since the board book was prepared, the Accounting Division has decided that it was comfortable enough with the analysis work performed and the documentation in place to bill an additional 56 projects $108,000.

Within the next several days, it expects to bill another approximate 40,000. Documentation on the remaining balances of the due funds totaling $47,000 is being evaluated to determine if there is sufficient support for the billings, and if so, Accounting, Financial Services Division believes they can make it through those reviews, come to a conclusion, and bill those remaining projects within the next two weeks.

On Monday of this week, the Internal Auditing Division -- we added a copy of our formal draft report to management for input and for expected comments back by close of business this coming Tuesday. We'll incorporate what's reasonable, and then route to Executive, allow them a similar opportunity for input.

Once we go through that process, we'll release the report. We've also started our review of other fees
collected by the department. Sam Ramsey is the lead auditor on that project, and he's currently in the planning phases of that engagement. This was something that was requested, I believe, it was by Mr. Conine back in September or August.

Any further questions relating to the Construction Inspection Fees?

MS. ANDERSON: I just want to make sure we leave no money on the table that's owed to the department.

MR. GAINES: Well, the final agenda item is behind Tab 4(g). And this is the Status of the Central Database.

The information being provided you is very similar to that that's previously been provided to you. It's less voluminous, as we aren't providing the supporting detail that's been provided in the past. Should you decide you would like this, it's available, and we can certainly provide it, either in connection with the board book, or just give us a call, we'll send you a copy.

The first several pages are a high-level time line for each of the major system modules with sub-time lines, if you will, for the development phase and functional planning and deployment phase for each module.

The modules are listed in order. Work is being
performed. And while there may be adjustments later in
the project, this is the current order.

For each module, there is an associated note
that describes the module and the associated capital costs
with that module to date.

The first two modules listed, the Compliance
Monitoring Tracking System and the Fund Allocation
Contract Module -- that's where the majority of the work
has been performed to date.

If I may, or if I can, I'll first discuss the
status of CMTS, or the Compliance Monitoring Tracking
System. You'll note that the development phase of the
module has recently been completed. This is pretty
exciting, a significant milestone. And I just
congratulate the team on that.

In connection with the CMTS functional planning
and deployment, the remaining task of significance relate
to entering tax credit data that has not previously been
captured in an automated data format.

The functional team -- functional users
anticipate that it's going to take six individuals six
months working 70 percent of their time to get this data
into the system.

The resources to complete this task have not
currently been specifically identified. Until this is
done, the benefits of the system relating to tax credit
program will be limited. Reporting information will be
incomplete. And the Automated Compliance Testing will
only be possible as the ownership, project and tenant data
are entered into the system.

An the more positive side, in connection with
the functional planning and deployment phase, the final
task necessary for the system to be used by the Affordable
Housing Disposition Program contractor, or AHDP contractor
that administers the program for the department will be
completed by the end of February.

This is on the positive side, because the
original cost estimate for these services was reduced by
over $100,000 per year based on the availability of a web-
based replacement for the AHDP -- the Legacy software that
had been used.

These savings are anticipated to be ongoing
year in, year out. So that's real good news.

Additionally, the directions and instructions
to the department's multifamily business partners are
planned for mailing at the end of March. With these
materials and security clearance, these business partners
will then be allowed, and will be entering tenant
information going forward.

    Automated compliance testing will be possible, which will identify sections for further investigation. So now we can start focusing on just the problems. Four visits, we'll focus on the quality of the data being submitted. So we're kind of seeing a little bit of light there in the plan.

    Are there any questions relating to this module, the Compliance, CMTS module?

    MS. ANDERSON: I have a comment.

    MR. GAINES: Yes, ma'am.

    MS. ANDERSON: I agree with you. I'm very excited to see this continue to get closer and closer to fruition. And I understand that the pilot, you know, deployment out in the field is, according to our conversations is going okay. And that's good news, too.

    I -- you know, and as Walt and Curtis and you and I have discussed before, you know, there are often delays in software development projects. But I think the other modules of this system have paid a pretty significant price for continued work on CMTS.

    And I'm not close enough to it to know how mission-critical that additional work was. And I -- you know, I saw in a report, you know, a month ago that, you
know, the steering committee decided we were going to
limit the technical team to 10 percent.

And now I, you know, see in the notes today
that that blew back up to more like 40 percent. And I'm
not close enough to it to make a value judgment about
whether or not that was a have-to-have or a nice-to-have.

But what I will say today is that I feel very
strongly that after we have spent so much time and money
on CMTS to get it to this point, at -- to the detriment of
some of these subsequent modules, then to have it be said
that we have not identified the resources to finish the
data -- the gathering of the missing LIHTC data, so that
we can make this system fully usable -- to me, I'm very
surprised that that would be our position, because we have
made a huge investment.

And to get this far down the pike and then not
be committed to finish it. And you know, and that's --
that is a part of finishing it to get it really usable.

And I just urge the staff and management and the agency,
you know, let's find the resources, and let's get the
missing data collected and input so that we can begin
receiving some return on our investment that we've made in
the CMTS module.

MR. GAINES: In that respect, I do believe that
the department's real familiar. Of course, everyone has full-time jobs. And one of the -- and the planned start date for that piece is within the deployment time line. And we weren't planning on starting, I believe, until the first of March or end of March. So I've got a little bit of time to get those resources in place. And all kinds of strategy that's been discussed.

And there's advantages and disadvantages of both approaches, because that all properties are inspected on a three-year cycle, and load the information per property as we visit them.

Of course the downside to that is that it will be three years before we'd have full reporting capacity. You can do the automatic compliance testing, but that would be only after it was set up in connection with that filmed visit.

So these are kind of some of the pros and cons. We try to pull away six people for half a year and do it all at once.

MS. ANDERSON: I agree. That's a huge commitment.

MR. GAINES: Right.

MS. ANDERSON: But we have spent all this time getting to where we are, and to the delay -- and you can
look at the waterfall effect of this. And I keep the
prior project records. And I -- I mean, I'm seeing on
paper how these other modules are slipping.

MR. GAINES: Yes, ma'am.

MS. ANDERSON: So, you know --

MR. GAINES: I'm going to speak to those --
that slippage a little bit. So forgive me if I repeat
you. The development date -- let's go to the Fund
Allocation Module. The development date has been extended
from 3/28 to 6/18/03, and the functional planning date is
extended to the same day.

You know, so accordingly, this is going to take
a lot of coordination and parallel work by the technical
team and the functional team to meet June 18 with
completed product.

The reasons for these delays are kind of
discussed a little bit further on, let's say, on page 4.
You've touched on some of those. The delivery was
extended over the last two months, we believe primarily
because it's been necessary to devote a large percentage
of time we originally anticipated on completing the CMTS
enhancements and bug fixes.

The technical team originally planned to spend
10 percent of their time. It turns out the work required
to successfully deploy a HDP functionality, which was kind of prioritized due to the 100,000 a year consideration I had previously touched on, accounting for about 40 percent of the technical team's time during this period.

So at this time, the most recent strength meeting, January 29, for functional user team, the technical team, and the strength may be agreed that the technical team's time is no more than 10 percent for any further work on CMTS, unless there are fixes that have been identified that have to work for the system to be operable.

All future technical work, except as it relates to the planned deployment issues, is considered maintenance or enhancements, and will not fall within the scope of this project. Any enhancements throughout the department, in addition to this one, should be coming before the steering committee for approval before resources are dedicated to that.

The target date for completion of the second phase of this module -- the functional planning piece, again, has been pushed back to June 18 for the same reasons. Any other questions or comments relating to that?

You'll notice that the remaining modules are
being asterisked. This is explained at the bottom of the page. Basically, the project teams are not far enough along. Then these modules to have detailed plans in place.

However, please notice that there is progress being made even on these. The team's goal is to develop detailed plans for each module as the design specifications of the module are finalized.

The only other thing I wanted to point out to specifically discuss was the status of funds as of January 31, this -- January 31, 2003. This is the last page under Tab 4(g). I specifically wanted to point out the bottom line, the $12,000 balance and the related note.

It's anticipated that this $12,000 will be used for continued contract-programming services. However, all other capital outlay funds appropriated for the project will be expended by the end of March.

The department's strategy is the technical team believes there is sufficient design work completed on the system, and will be completed with the program module and tax credit modules to keep the development team busy throughout the end of this fiscal year. It's hoped that appropriated funds will be made available for -- to continue with the contract or business analysts --
contract business analysts, beginning September 1.

To the extent these appropriated funds don't materialize, the department intends to continue developing the system with the resources it has on staff. They will also be able -- these modules can stand alone and can be used, and are being incorporated into our operating processes, and we'll have the benefit of their efforts put to date.

I didn't have any other plan comments. So it concludes my presentation. If you have any further questions or comments, well --

CHAIRMAN GONZALEZ: Thank you. Excuse me. We'll entertain a motion to adjourn.

MS. ANDERSON: So moved.

MR. BOGANY: Second.

CHAIRMAN GONZALEZ: The motion seconded. All those in favor, say aye.

(Chorus of ayes.)

CHAIRMAN GONZALEZ: Motion adjourned.

(Whereupon, at 9:50 a.m., the meeting was concluded.)
CERTIFICATE

MEETING OF: TDHCA Audit Committee
LOCATION: Austin, Texas
DATE: February 13, 2003

I do hereby certify that the foregoing pages, numbers 1 through 61, 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.

02/24/2003
(Transcriber)     (Date)

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