TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

AUDIT AND FINANCE COMMITTEE MEETING

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

September 5, 2019
7:30 a.m.

MEMBERS:

SUSAN THOMASON, Chair
PAUL A. BRADEN, Member
ASUSENA RESENDIZ, Member
LEO VASQUEZ, Member
CALL TO ORDER
ROLL CALL
CERTIFICATION OF QUORUM

ACTION ITEMS:

ITEM 1: Presentation, discussion, and possible action to approve the Audit and Finance Committee Minutes Summary for June 27, 2019

REPORT ITEMS:

ITEM 1: Presentation and discussion of the Internal Audit of the Complaint Resolution Processes at TDHCA

ITEM 2: Presentation and discussion of Internal Audit review of the implementation status of prior audit findings and recommendations

ITEM 3: Presentation and discussion of Internal Audit follow up visits of the Migrant Labor housing facilities

ITEM 4: Report on the status of the external audit activities

PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS

EXECUTIVE SESSION

OPEN SESSION

ADJOURN
MS. THOMASON: Good morning. Welcome to the September 5 meeting of the TDHCA Audit and Finance Committee.

I will take roll. Mr. Braden?

MR. BRADEN: Here.

MS. THOMASON: Mr. Vasquez?

MR. VASQUEZ: Here.

MS. THOMASON: Ms. Reséndiz?

MS. RESÉNDIZ: Present.

MS. THOMASON: We are here.

The only action item that we have on today's agenda is the approval of the minutes from the June 27, 2019 meeting of the Audit and Finance Committee.

At that meeting, the director of Accounting, Ernie Palacios, discussed the agency budget items. The Committee recommended approval to the Board of the fiscal year 2020 TDHCA Division budget. The director of Internal Audit, Mark Scott, discussed the internal audit of the construction cost certification function, as well as recent external audit activities.

The minutes were included in your notebook. May I have a motion to approve the minutes of the June 27 meeting?

MR. BRADEN: So moved.
MS. THOMASON:  Second?

MS. RESÉNDIZ:  Second.

MS. THOMASON:  All in favor?

(A chorus of ayes.)

MS. THOMASON:  The rest of our items this morning are report items. Report item 1 will be the presentation and discussion of the internal audit of the complaint resolution processes at TDHCA, and Mark will present that for us.

MR. SCOTT:  Thank you, Madam Chair.

The complaint resolution process scored high on our audit plan risk assessment because it is an important interface with the public. The complaint resolution function is managed by the Housing Resource Center, or HRC. There's a separate process for handling fraud, waste and abuse, or FWA, and that was not part of this audit. I had presented the FWA process at the September 2018 meeting of the Audit and Finance Committee.

Our audit of HRC's complaint resolution process included a scientific sample of complaints which were mostly found to be compliant with the attributes we tested. We had some minor recommendations for improvements which were agreed to by management.

MS. THOMASON:  Are there any questions?

(No response.)
MS. THOMASON: Thank you, Mark.

If not, we'll move on to the second report item. It is the presentation and discussion of the Internal Audit review of the implementation status of prior audit findings and recommendations, which will also be presented to us by Mark.

MR. SCOTT: Yes. The second report is an annual report on the status of prior audit findings. This is to comply with the Internal Auditing Standards, specifically Practice Advisories 2500 through 2600. As noted in the appendices of our report, most of the recommendations have been implemented.

We also track external audit and monitoring findings. There was a KPMG finding related to LIHEAP that has been closed. The finding had to do with tracking data at the household level for beneficiaries of the program. There's a new household data base system scheduled to be in testing this month, and it will be available to the subrecipients in January. KPMG has closed the finding.

The external findings that are open have to do with subrecipient questioned costs which were noted in two HHS reviews conducted in 2018.

MS. THOMASON: Are there any questions?

(No response.)

MS. THOMASON: All right. If not, we'll move
along to our third report item. That is the presentation and discussion of the Internal Audit follow-up visits to the migrant labor housing facilities. Mark.

MR. SCOTT: Yes. Here I'll point out something. There's a difference between a follow-up on audit findings, which I just talked about, which entails obtaining management assertions and some spot-checking by audit, as opposed to this follow-up audit. The follow-up audit on migrant housing was requested when I presented the original audit in March.

As you will recall, we discussed the geographic area sample and also whether there might be a difference in the housing conditions based on the seasons. Three of the facilities we visited this time around were near Lubbock, one was in Hale County. One facility was south of San Antonio, and then one facility was around the Austin area.

The farm workers in the two facilities in south Lubbock were primarily in cotton gins, and the ones in north Lubbock work at different farms depending on the harvesting season. For example, they had just finished harvesting cucumbers at one of their fields the day before the visit and were getting ready to harvest watermelons the following week. We were told that a representative from TWC visits the fields from time to time and they've
implemented all the requirements that OSHA put in place for sanitation, such as portable potties and a hand sanitizer station at each field.

The facility in San Antonio and the one close to Austin are only used to house the H-2A visa holders. One was a plant nursery and the other was for growing turf grass. And we were told by one of the operators that due to extreme heat this summer, they've been sending farm workers home at around 3:00 p.m. to avoid the heat exhaustion.

And a note, Tom Gouris wanted me to note that the number of licensed facilities has gone from 144 in March to 220 in August of 2019. And from looking at the places, I would say that the licensed housing we looked at, it was crowded but it met the minimum standards.

We're in the process of conducting a risk assessment for the 2020 audit plan, and as part of that, I'm going to send out a request for input and then I'll see how the migrant labor housing program ranks. If the Audit Committee wants me to do another round on this, I'd be happy to.

MS. THOMASON: Are there any questions or comments regarding this item?

MR. VASQUEZ: Just one question. When you visited the five facilities, they were from different
operators?

MR. SCOTT: Yes. Different operators.

MR. VASQUEZ: Okay. Great.

MR. SCOTT: At each facility we looked at several of the units. We wanted to expand the sample to get a good cross-representation of the state.


MR. SCOTT: What's the name of that little burg? I forget the name of the city.

MS. THOMASON: We can get that after the meeting.

MS. RESÉNDIZ: Thank you.

MS. THOMASON: Any other questions for Mark?

(No response.)

MS. THOMASON: Thank you.

Our last item on today's agenda is the report on the status of the external audit activities, and Mr. Scott will present those to us.

MR. SCOTT: Yes. I wanted to give you a heads-up on the audits the State Auditor's Office is doing, along with their contracted audit firm CliftonLarsonAllen, CLA. The SAO has completed an audit of the Manufactured Housing Division which is separate from TDHCA. They had TDHCA sign an engagement letter
since we provide IT services.

The anticipated completion date is sometime this month, so when they're done, they may send audit reports to all of the TDHCA Board members. I didn't want you to be surprised when that occurred.

They are also conducting the annual audit of the financial statements and the audit of the bond activities. Along with the financial audit, the SAO's contractor, CLA, is conducting federal compliance work on LIHEAP and CSBG.

Also, they are doing an audit of how IT positions are classified. I think they will note that TDHCA has some systems analyst positions that should be systems support positions.

And that concludes my presentation. I'll be happy to answer any questions.

And Ms. Reséndiz, the name of that city is in the audit report, I just don't remember it.

MS. RESÉNDIZ: Thank you.

MS. THOMASON: Thank you.

Are there any questions?

MR. VASQUEZ: So we shouldn't be surprised to receive the audit. Should we be surprised by anything in the audit?

MS. THOMASON: Well, then it wouldn't be a
surprise.

MR. VASQUEZ: I don't like surprises.

MR. SCOTT: Okay. So you will get an audit on
the Manufactured Housing audit that they did. Of course,
you're a separate agency but we do their IT function so
they audit that, and from what I understand, they had no
issues with our IT stuff. I don't know what they're going
to say about Manufactured Housing, though.

On the HR audit, what they'll do is they'll
send an audit out and it will be of the whole state, the
classification of IT positions. They may think there were
certain positions statewide that were over-classified,
like somebody who works at the help desk, if they're
classified as a systems analyst, they probably think
that's over-classification.

The audit on us, I think it will be fine.

MS. THOMASON: Any other questions?

(No response.)

MS. THOMASON: All right. Thank you, Mark.

If there are no other questions, then we will
adjourn at 7:41. Thank you.

(Whereupon, at 7:41 a.m., the meeting was
adjourned.)
CERTIFICATE

MEETING OF: Audit & Finance Committee of TDHCA Board
LOCATION: Austin, Texas
DATE: September 5, 2019

I do hereby certify that the foregoing pages, numbers 1 through 11, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas Department of Housing and Community Affairs.

DATE: September 11, 2019

(Transcriber)

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