TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS

AUDIT COMMITTEE MEETING

11:00 a.m.
Thursday,
May 15, 2003

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

PRESENT:

AUDIT COMMITTEE:

Vidal Gonzalez, Chairman
Beth Anderson
Shadrick Bogany (not present)

STAFF:

Edwina Carrington, Executive Director
David Gaines
Ruth Cedillo
Curtis Howe

I N D E X

1 <u>P R O C E E D I N G S</u>

2 CHAIRMAN GONZALEZ: We'll call the Audit

3 Committee meeting to order.

4 (Pause.)

5 CHAIRMAN GONZALEZ: Roll call. Beth Anderson?

6 MS. ANDERSON: Here.

7 CHAIRMAN GONZALEZ: Vidal Gonzalez, here. Shad

8 Bogany, absent.

9 Okay. We will solicit public comment.

10 MS. GRONECK: I didn't have any.

11 CHAIRMAN GONZALEZ: Okay. None. Okay. Then

12 we'll go on to Item Number 1, the Presentation, Discussion

13 and Possible Approval of Minutes of the Audit Committee

14 Meeting of March 13, 2003.

15 MS. ANDERSON: I move approval of the minutes.

16 CHAIRMAN GONZALEZ: Okay. Second? Any further

17 discussion? If not, all those in favor, say aye.

18 MS. ANDERSON: Aye.

19 CHAIRMAN GONZALEZ: All opposed? The motion

20 carries. Okay. We'll go to Item Number 2, the

21 Presentation and Discussion of Reports. We'll call on Mr.

22 Gaines.

23 But before we go to that, I did want to

24 announce that this is Internal Audit Week. We have a

1 resolution from the Office of the Governor. And rather

2 than reading it, I will just present it over the -- for

3 the record.

4   But we do want to congratulate you, because you

5 are an internal auditor, and from what I gather, what?

6 You're going to be the president of some other

7 organization or something? What's --

8   MR. GAINES: Well, I currently am, and I'm

9 being nominated for another year.

10   CHAIRMAN GONZALEZ: For another year. Okay.

11 Congratulations on that also.

12   MR. GAINES: For the record, David Gaines,

13 Director of Internal Audit. I overheard Delores setting

14 up this table, saying, Since David is getting so old, why

15 don't we let him sit down today? By the time I'm through

16 speaking, you might believe her, because I'm kind of --

17 had a rough time with my voice lately.

18   But it's real. Let's turn to the first agenda

19 item, which is the Status of Prior Audit Issues. There

20 are fourteen issues being reported to you today. Five of

21 these issues are being reported as implemented. Two are

22 considered implemented by management, but have been

23 classified as action delayed pending clearance by HUD.

24 And that leaves seven issues that management continues to

1 work on.

2   Of the implemented issues, I wanted to direct

3 your attention to the first issue on page 1 of eight.

4 That's issue reference 252. This was an issue reported by

5 Internal Audit in August 2000 relating to the department

6 establishing an agency-wide construction inspection

7 section, evaluating the benefits of contracting with third

8 parties, and evaluating the degree of overlap by the

9 inspectors, such as first-lien inspections.

10   And this is one of those issues that we've been

11 able to implement, I believe, as a direct result of the

12 reorganization. It's taken a while to get here, but I

13 believe there will be considerable benefits going forward

14 as the details in fully implementing this issue are

15 resolved.

16   The remaining four issues being reported as

17 implemented are recent audits completed by the External

18 Auditors, including the State Auditor's Office, KPMG,

19 Deloitte and Touche, and these are identified as the

20 implemented ones on seven -- pages 7 and eight.

21   I wasn't planning on really discussing the

22 details on those. They are fairly minor, and they are now

23 reported as implemented.

24   If you will, let's turn back to page 2. Issue

187 relates to the department establishing a family self-sufficiency plan for the Section 8 program. And the issue has recently come back to life. Since it's been outstanding for a while now, I'd like to give you a brief history on this issue.

Mainly, its initial action relating to this issue that was released in September 2000 was to request a waiver from HUD due to lack of capacity in service regions, I believed, perception of lack of capacity.

Throughout calendar year 2001 into 2002, this issue was classified as action delayed, pending a response from HUD. So in April 2002, the management reported that HUD had denied the initial waiver request, and requested the department review information on client services, assess what was really out in the field in the local operator areas, to assess the feasibility of implementation.

At this time, the issue was reclassified to In Progress of Being Implemented, and management began to make that assessment. They conducted a survey of local operators to determine if sufficient services were there to implement this family self-sufficiency program.

By October 2002, management had determined there were not sufficient services in the HUD San Antonio

1 and Fort Worth service regions, while in the Houston area,

2 it looked like there were sufficient capacity to deliver

3 this program.

4   That was October 2002. In December, the

5 department made another request to HUD, requesting a

6 waiver for the program in the San Antonio -- excuse me, in

7 Fort Worth areas, and submitted an action plan to HUD for

8 the Houston area. And management was also hoping they

9 could use the same plan in the other two areas should HUD

10 deny the waiver request in those two areas.

11   At this point, in December '02, it was again

12 classified as delayed pending a response from HUD.

13 About -- well, April 2003, in communications with HUD, HUD

14 informed the department that they had overlooked that this

15 issue was in their court and on their table, and they

16 indicated they would consider it soon.

17   And so at that time, management decided to

18 start considering whether the community action service

19 agent -- excuse me, community action agencies throughout

20 the state may be providing services that could be used in

21 connection with the self-sufficiency program in these

22 areas.

23   Now, in bringing it -- in classifying it as in

24 progress, it's because of this new consideration of the

possibility of the CAAs providing some of these services.
A target date wasn't established for completion because
of management's expectations or uncertainties relating to
the anticipated time delays in hearing back from the CAAs,
considering information from CAAs. They felt like it was
too ambiguous for charting data at this point.

But at this point -- that's where we're at.
The bottom line, we're waiting for a response from HUD and
considering the possibility of CAAs doing this for us.

MS. ANDERSON: May I -- Mr. Chairman, may I ask
a question of Ms. Carrington?

CHAIRMAN GONZALEZ: Yes.

MS. ANDERSON: Now, when these family self-
sufficiency programs are put in place for these Section 8
tenants, does HUD pay for the family self-sufficiency
programs so that the local non-profit or community action
agency, or whatever, that is awarded a -- are they, like,
awarded a contract to provide those services, and then HUD
pays for that?

MS. CARRINGTON: May I ask Ruth Cedillo? Ruth,
do you know the answer to that question? Our mikes aren't
working.

MS. CEDILLO: They aren't working. I think I
can talk loud enough. I'm Ruth Cedillo. And the reason

we started looking at the community action agencies is

because they do get funds from the department.

MS. ANDERSON: Right. Right.

MS. CEDILLO: They get the community services

block grant.

MS. ANDERSON: Right.

MS. CEDILLO: And they're using those funds to

transition people out of poverty. So that's why we're

looking at them. And some of those individuals, maybe

those that have Section 8 vouchers even through our

programs. So I asked staff to start looking at that and

see if maybe we can work with the community --

MS. ANDERSON: Is there a match?

MS. CEDILLO: Yes, and see if we can match

them.

MS. ANDERSON: Okay. I mean, some of those

agencies do very good jobs in their communities, and some

are, you know, less effective, as I'm sure you know.

MS. CEDILLO: Sure. Yes.

MS. CARRINGTON: I think this is actually

probably a fairly innovative approach. Most of the family

self-sufficiency programs are developed by housing

authorities that administer vouchers and certificates.

It's a part of what they've been doing for the last

1 several years.

2   And my thought is that they probably don't get

3 any additional money from HUD to do a family self-

4 sufficiency program, that they're expected to do it out of

5 the administrative fee that they receive for administering

6 the vouchers.

7   And of course, housing authorities have had for

8 the years the -- you know, the transition from public

9 housing and other kinds of housing. So I think we've just

10 said we're tired of -- we don't want to ask HUD for any

11 more waivers. It does not make sense for us, the

12 department, to go out and try to set up family self-

13 sufficiency programs for these small number of vouchers in

14 these areas.

15   And so what made sense to us was this network

16 of community action agencies that we have out there.

17   MS. ANDERSON: And so then we would fund it out

18 of our Section 8 administrative fees? I mean, we would

19 write a contract with the --

20   MS. CARRINGTON: Well, I think we're probably

21 evaluating, you know, if the community action agency will

22 take it on.

23   MS. CEDILLO: And they may be doing exactly

24 what we need them to do --

1   MS. CARRINGTON: What we would have been doing.

2   MS. CEDILLO: And they may be able to do it out

3   of the funding that we already provide.

4   MS. CARRINGTON: Okay. Yes.

5   MS. ANDERSON: Okay. Okay.

6   MS. CARRINGTON: I mean, that would certainly

7   be our hope.

8   MS. ANDERSON: Okay. All right.

9   MR. GAINES: The next six issues, beginning

10   with 253 on page 3 of eight, are the HOME issues relating

11   to the HUD HOME monitoring visit of November 2001. The

12   department and HUD have come to general agreement on --

13   are you with me, Beth? It's on page --

14   MS. ANDERSON: What --

15   MR. GAINES: -- three.

16   MS. ANDERSON: Okay. I'm with you.

17   MR. GAINES: And beginning with issue 253, the

18   next six issues. And the department and HUD have come to

19   a general agreement on how the department needs to proceed

20   in resolving these issues. The biggest point of

21   contention is HUD was requiring that the department

22   reinspect all properties since 1998.

23   It's been agreed that the department would send

24   homeowners a simplified housing standards checklist. That

1 was prepared and -- by the department, and approved by

2 HUD. The checklists have been sent out and they were due

3 back this last Monday.

4 Management is in the process of evaluating the

5 results of these surveys. The homeowners -- the

6 department will conduct inspections that are -- of these

7 surveys, they need to do inspections conducted. That's

8 anticipated to be completed by the end of May.

9 Required corrective actions to bring the houses

10 into compliance with standards will be developed,

11 evaluated what's necessary once the inspections come in.

12 So once the results of those inspections come in,

13 management will establish an action plan and target dates

14 for completion for those.

15 In addition to the inspections resulting from

16 the surveys, the department's also agreed to conduct

17 inspections on 27 properties funded through HOME Inc., a

18 third-party lender of TSHAC, and another eleven properties

19 relating from Contract for Deed Program that was

20 administered through TSHAC.

21 These properties relate to the issues

22 References 254 on page 4, and 256 on page 5. Again, once

23 these inspections are completed, which is anticipated by

24 the end of May, management will develop action plans,

doing the corrections, and establish a target date of

completion at that time.

There is a couple of other issues that the

department considers resolved. They are currently being

classified as Action Delayed Pending Clearance by HUD.

These are issues 255 on page 4, and 258 on page 5.

And they relate to the HUD information system,

correcting the information in the HUD information system,

IDIS, and the correction of land use restriction

agreements whereby TSHAC allowed a prohibitive clause that

waived occupancy requirements.

The department believes these are substantially

resolved, and waiting on clearance by HUD. So in the

meantime, they're classified as Action Delayed.

The final issue I want to just specifically

mention is Issue 260 on page 6 of eight. And this relates

to the department taking action on the all new multi-

family projects funded through TSHAC to determine

compliance with the Model Energy Code.

Management is, excuse me, currently documenting

compliance on 154 out of 269 projects, approaching 60

percent, and has informed HUD that it believes that this

demonstrates substantial compliance. The department has

also informed HUD of its procedures to ensure compliance

1 going forward. The department hopes these actions will be

2 sufficient to satisfy HUD, and that HUD will be in

3 agreement with that.

4   This issue would also be classified as action

5 delayed pending a response from HUD, except for the second

6 portion of the finding. The second portion is what's

7 classified as In Progress. This portion of the finding

8 relates to a multi-family project funded through TSAHC,

9 that's not in compliance with the Section 504

10 Accessibility Requirements.

11   TSAHC was to have provided its action plan by

12 last Monday, May 12. The plan was to include preliminary

13 write-up work with construction to commence no later than

14 June 1. From what I understand, we have not received that

15 correspondence at this point, or it hadn't landed on

16 someone's desk yet. Checks may be in the mail.

17   I didn't have any other planned comments for

18 Prior Audit Issues, but I'll be glad to entertain any

19 questions that are expressed. I would like to point out

20 the second report, which are the ten prior audit issues

21 reported as implemented last month that will not be

22 reported in the future.

23   MS. ANDERSON: I do have one question on -- and

24 it's on Item 256, which is this contract for deed thing.

1 Last month's report on this item referenced a HUD letter

2 acknowledging that the department had repaid the costs on

3 three of the 14 properties.

4 MR. GAINES: Yes, ma'am.

5 MS. ANDERSON: Now, did we get reimbursed by

6 TSAHC for whatever we had to pay HUD back?

7 MR. GAINES: I'd say we certainly had that

8 recourse. I'm not sure if that's happened or not.

9 MS. ANDERSON: See -- or TSAHC pays directly --

10 MS. CARRINGTON: I think TSAHC directly paid.

11 MS. ANDERSON: Okay. They actually pay the

12 department.

13 MS. MAURO: They pay the department.

14 MS. CARRINGTON: And then the department paid

15 HUD. Yes.

16 MS. ANDERSON: Okay. That's exactly what I

17 want to know. Okay. You know, I think you're doing an

18 awesome job, and the whole agency is to be commended for,

19 you know, slowly but surely clearing the decks.

20 And the very encouraging thing from my

21 perspective is the good job that's being done responding

22 on a timely basis to our more recent audits, as you

23 alluded to the KPMG and the Deloitte Touche audits.

24 Items -- you know, items like number 295, you

know, with the finding from November that's already been

cleared about data collection calculation and ABEST,

meaning that's -- you know, very, very good work being

done. Now, if we can just clear up these older items,

most of whom relate to the same subrecipient, we'll be in

great shape. So thank you for -- and thank everyone on

that staff for all the work that it takes to get these

cleaned up.

MR. GAINES: The next agenda item, and final

agenda item is the Status of Central Database. The last

reporting to you was in February, and that was the status

as of the end of January. Today's report is as of --

excuse me, April 30, three months later. And it's very

similar in format and content, with a few exceptions that

I'd like to point out.

First off, please let me know should you decide

in the future you'd like additional detail. This is

highly summarized; however, for the modules under

development the plans go into great detail, and I'd be

glad to provide and discuss this information with you at

any time during formal board meetings or otherwise. So

I'm --

The work in progress is focused on the first

two modules listed. These are the Compliance Monitoring

and Tracking System, or CMTS, reported on line 1, and the

Fund Allocation Contract Module reported on line 7 of your

status report.

Overall, the target dates reported to you in

February for these modules remain intact, except for the

development piece of the Fund Allocation Module reported

on line 8; this has slipped six days since the last

report.

The slippage is not specifically associated

with any significant circumstance or event. It's more an

accumulation of many minor circumstances. And we can talk

about the Fund Allocation Contract Module momentarily. At

first I'd like to talk a little bit about CMTS.

You may recall the development portion of CMTS

module on line 2 of the report was reported as fully

developed to you in January, or in February, as of the end

of January.

The functional planning and deployment portion,

or line 3, except for the tax credit's historical data

gathering input is now being reported as complete. That's

a new line. The tax credit data gathering and input has

been broken out as a line of its own, if you will, to

represent completion of the remaining piece of the module

and the functionality that we're now appreciating out of

1 that.

2 In summary, the tax credit data gathering has
3 broken out the plan functionality for the remaining areas
4 of the -- excuse me. What this does, it reports 100
5 percent complete for the functionality relating to the
6 Multifamily Affordable Housing Disposition Program, the
7 HOME Housing Trust Fund and Tax-exempt Programs during the
8 affordability period.

9 And with completion of -- for those programs,
10 there should be improved functionality through the
11 graphical user interface that users are now using, access
12 to -- improved access to data, automated compliance
13 functions, and automated compliance testing.

14 Similar functionality will be available to the
15 Tax Credit program once the historical data is loaded.
16 With the new CMTS -- or with the CMTS now in operation,
17 except for the tax credit piece of that, continued bugs
18 and enhancements are continued being identified. The bugs
19 and enhancements are continuing to be identified.

20 These additional work requirements are being
21 closely screened by the users and technical team to
22 determine whether they should be fixed or developed. Any
23 significant fixes or enhancements that would require more
24 than ten percent of the technical team's time need to come

before the steering committee before work is started on those.

There has been no such circumstances or fixes since the last report to you in February. Based on weekly status reports from the technical team, the work devoted to these bugs and enhancements has been ranging from 4 to 6 percent. One week I believe it was actually 10 percent. There has been weeks at zero percent. So we are keeping that to a minimum effort, primarily maintenance and a few enhancements, I believe.

Regarding the tax credit gathering portion that's now reported separately, I wanted to bring your attention to note 4 on page 3. The original estimate for completing and gathering this data and getting it inputted into the system was October 1, '03. And this was based on 1,200 properties, one half day per property, and six employees working 70 percent of the time.

As it turns out, 28 individuals from throughout the department have volunteered with this data entry project, each of them determining the number of hours that they can contribute per week. And with this department-wide effort, we expect completion of data entry by July 10, rather than the October 1 date.

This contribution by many separate and distinct

areas throughout the department -- I feel like it's pretty

much unprecedented, except for maybe the reorganization.

That project -- it speaks highly of staff and management

for willing to give that extra effort for the common goals

and goods of the department as a whole, and they all need

to be commended on that.

In connection with this data entry, while it's

going very well, and I informally was speaking to one of

the leaders of the project yesterday, and they feel like

they're 50 percent complete at this point.

But in doing this, a downside is that it's

being discovered by the team that there's a number of

missing files and documents within the files. And

accordingly, we're leaving that target date of 10/01 as

our planned completion date so we can develop strategies

to locate these files, identify alternative sources of

information, or if necessary, recreate the data.

I also wanted to point out just a couple of

obstacles to our realization of the full benefits of the

system. These obstacles are described Note 3, page 3.

"Converting the attitudes of the department's business

partners, and the contractor's accept and use of the

system for data entry of the unit and intent of the

information is a considerable challenge. Many of these

1   parties already have their own existing systems.

2   "And they will be required to either export the

3   data from the existing systems for electronic input into

4   CMTS, dual entry into both systems, or a final option

5   would be provide the department hard copies whereby we

6   would enter that information.

7   MS. ANDERSON: What's the current policy

8   thinking on that?

9   MR. GAINES: I think the current policy is that

10 last option would put them in material noncompliance.

11   MS. ANDERSON: We've made this huge

12 investment -- huge investment --

13   MR. GAINES: Yes.

14   MS. ANDERSON: -- in dollars, in management

15 time, and in technical skill time and contractor time to

16 build this system to really be our nerve center.

17   And you know, normally I don't ask for more

18 bureaucracy to be imposed on our partners, but we know --

19 I would strongly oppose --

20   MR. GAINES: I believe the --

21   MS. ANDERSON: -- continued submission on

22 paper, and you know, there has got to be a way to do --

23 to -- and if we need to help them walk them through how to

24 export data so that they could get it to us, you know, I'd

hate to think they're really going to have to do dual data

entry. But --

MR. GAINES: I believe going forward --

MS. ANDERSON: -- we're going to have a hard

time explaining to the Legislature why we spent all this

money to build this thing, and we're not achieving one of

the key benefits of it, if our partners aren't putting

the data -- giving us the data.

MR. GAINES: And I believe going forward that

could be addressed by making a threshold requirement,

writing it into contracts. It's the existing partners

that are a bigger challenge.

On the Affordable Housing Disposition Program,

they aren't necessarily coming back for money or future

awards. There have been property owners that said, We are

not going to do this. And so there are challenges we're

working through with that.

And yes, we've discussed the technical

assistance avenue, to give them flat files, help them with

the initial downloads and how that would work.

MS. ANDERSON: Are we getting that kind of

resistance from entities that still want to come to the

agency for new money?

MR. GAINES: I believe there is some of that,

but I don't believe we've taken a firm stance yet. And

that's occurring during the industry rollout.

MS. ANDERSON: Well, we have time to put it in

the 2004 QAP. I mean, I hate to have to handle it that

way.

MR. GAINES: Those, again, are things that -- I

think we're in general agreement with you. We just

haven't finalized the strategies on how to move forward

with that.

Another obstacle to the full realization of the

benefits relates to the completing the front end modules

where the required data is loaded, such as the program

module with program-level information being entered, such

as the program name, type of program, program

requirements, the fund allocation contract, and tax credit

modules, where information relating to individuals and

organizations which the department contracts with, or

allocates tax credits to, establishing relationships

between the organizations -- until those modules are

completed, we'll have limited benefit.

We can still use the system by entering the

data through the back end, which is a more labor-intensive

effort. I didn't have any further comments relating to

CMTS. If there is no other comments regarding that

1 module, we'll move on to the Fund Allocation Contract

2 Module.

3   MS. ANDERSON: I have one question on that.

4   MR. GAINES: Yes, ma'am.

5   MS. ANDERSON: It really is probably a question

6 for Curtis or Walt. I'm curious about sort of what

7 patterns of calls you're getting at the help desk about

8 usability of this system. Is there any pattern to the

9 calls that are coming into the help desk?

10   MS. ANDERSON: Curtis?

11   MR. HOWE: I'm Curtis Howe, Director of

12 Information Systems. The usability of CMTS is pretty

13 good. We're not getting a real -- we're not getting a lot

14 of real negative comments about that. I think that has to

15 do with the fact that we spent a lot of time in doing a

16 work internally in making sure that our users here were

17 very happy with the system, and that we did a pilot

18 project of rolling out to the sample of users.

19   MS. ANDERSON: I see. So you're not getting

20 some blip in call volume of people that aren't sure how to

21 use it, or --

22   MR. HOWE: And I -- our help desk doesn't

23 work -- our technical support help desk doesn't work

24 directly with the external users of the system. So James

Roper may be a little bit more qualified to answer if

there -- since they've deployed, if they have seen a real

high blip.

But based on the -- he's not here, the --

MS. ANDERSON: Based on what -- you haven't

heard any -- you'd hear if it was a disaster. You'd know.

MR. HOWE: I haven't heard any negative

feedback on it all.

MS. ANDERSON: You'd know. Okay. Good.

Thanks.

MR. GAINES: I've casually spoken to different

users, and I think it's been generally pretty well

received. There is some reporting capabilities we'd work

on going forward, primarily reporting, pulling information

out of the system.

For the Fund Allocation Contract Module, the

target date for deployment is June 24. And development

and the functional deployment, you'll see, are pretty much

appearing simultaneously in the time line. Accordingly,

this is going to take, and it has taken a lot of

coordination and parallel work between the technical team

and the functional user team.

We see the biggest challenge at this point is

the development of thorough user acceptance tests, because

the parallel work between the technical team and the user team -- I'm not sure there has been sufficient time built in for failed acceptance tests, and correcting the bugs associated with those tests.

As much confidence as I have in the development team, there will surely be failed acceptance tests, I would suspect. And so I'm not confident that that has been factored in as thoroughly as it needs to be.

The acceptance test reports are real important to ensure that the system is operating as intended before it moves into production, and then the technical team, of course, needs time to fix the bugs and then the users to again test those bugs.

Because of this parallel work, some of that activity is sequential. And this is something I've discussed with primarily the leads of the technical team and the user teams, but we haven't sat down to see what this really looks like and assess how reasonable that is in some time now.

An example, just within the last couple of weeks, the user communities have been conducting some preliminary acceptance tests, reviewing the external users' documentation, and gearing up for the final acceptance testing.

1   And as a result of these reviews, there are

2   bugs that are being identified that are being fed back to

3   the technical team for fixing.

4   But additionally, and maybe more significantly,

5   is that requirements not originally contemplated are

6   surfacing. And these new requirements range all the way

7   from field label changes that are minor to program

8   activities not originally specified.

9   MS. ANDERSON: And what's the change control

10   process for this scope creep?

11   MR. GAINES: Right.

12   MS. ANDERSON: What's the change control

13   process? Does it go to the Steering Committee?

14   MR. GAINES: Right now where we're at is

15   assessing the impact. They're being closely screened at

16   this point by the users and --

17   MS. ANDERSON: We had signoff on the

18   requirements months ago. Right?

19   MR. GAINES: Yes, ma'am.

20   MS. ANDERSON: Then this is why projects fail,

21   because we don't have reasonable change control process.

22   And you know --

23   MR. GAINES: Now, I believe we do have the

24   change control. They haven't looked beyond those

1 approvals at this point. I think what we've tried to do

2 is establish a threshold as to when they'll come to the

3 committee, and hadn't been real objectively quantified as

4 part of the subjective if there's any significant time you

5 need to bring it to the committee.

6   Now, in trying to assess why this is happening,

7 I believe the bottom line is, some of the requirements

8 were overlooked, they were merely overlooked.

9   In other instances, some requirements are

10 surfacing as a result of the reorganization. Requirements

11 are also surfacing from some program changes that have

12 occurred since the requirements were confirmed.

13   MS. ANDERSON: Yes, I mean, there are

14 legitimate reasons that you have changing requirements.

15   MR. GAINES: Yes, ma'am.

16   MS. ANDERSON: But you know, this agency needs

17 to have the discipline that the steering committee process

18 brings to manage change -- scope change. And the

19 management of this agency, including the esteemed

20 executive director to my right, you know, needs to know

21 the impact of these changes, because what tends to happen

22 is that, you know, Walt just works a little harder and

23 tries to keep his users happy, and that is not the way to

24 run a project.

1   MR. GAINES: And I believe for the most part,

2   people have not even been pushing on the changes, because

3   they know they're going to have to be coming to the

4   committee.

5   MS. ANDERSON: Okay.

6   MR. GAINES: They're really closely

7   scrutinizing these. Absolutely. You have to have to

8   control of that.

9   MS. ANDERSON: So when do you think we'll know

10   whether the June 24 dates -- when will those changes get

11   through the process and we'll know what's been accepted

12   and what happens the June 24 date?

13   MR. GAINES: Well, right now the technical team

14   is assessing the impact of those changes, and we again,

15   probably need to make the criteria more objective. And if

16   it's a significant impact, you know, we need to spell that

17   out and define what that means, because of -- it's really

18   essential that this system be in operation by mid-late

19   July at the latest, because of the new cycle --

20   MS. ANDERSON: Uh-huh.

21   MR. GAINES: -- that we're currently under.

22   There will be a need for the system to be operable,

23   because the Legasys [phonetic] systems in a contemplated

24   strategy have not been updated for the new program

requirements.

Based on what's come to the table so far, the technical team believes this is very doable if there is no other huge new requirement that surfaces during the user's review and acceptance tests. So we're still cautiously optimistic. And so far, I believe there has really been one requirement that we're calling pretty huge.

The committee -- we've talked about informally some changes that have come to the table informally, not the formal change requirement.

But the attitude is, we aren't doing this unless it's an absolute showstopper. And that's why we haven't been seeing them. Now, based on what I've heard recently in casual discussions, not before a formal -- not even a formal status report, there may be one significant change that could be a showstopper that we need to look at. And that relates to the rental -- new construction or rehab on rental developments.

We've -- the requirements were kind of spelled out for the program, Rental Development Multifamily. Well, there's kind of two pieces of that, rehab and new construction. And there is some significant differences in those requirements.

Have we incorporated all of those under one

1 umbrella, and we just need to split it out between the two

2 umbrellas? Or are there a whole cap of requirements we've

3 missed? And that's one I think that at least for those

4 programs, it's a showstopper.

5   On the others, I think there might -- more of a

6 minor nature. So that is a contention -- contingency I

7 wanted us all to be aware of. And I appreciate your

8 comments. I'm glad we have some of the leaders of the

9 project here to hear them.

10   MS. ANDERSON: It might be good just to -- as

11 a -- well, I know we're not going to have an audit

12 committee meeting at the first board meeting in June, but

13 it might be good just to have a report item provided to

14 the board, maybe, particularly on this issue.

15   MR. GAINES: So --

16   MS. ANDERSON: Particularly since you have the

17 schedule constraint, you've got a hard stop the end of --

18 toward the latter part of July. You can just do a report

19 item that goes in the board book. You don't have to --

20 you know, you're not coming to Dallas.

21   MR. GAINES: Relating to the impact of any of

22 these requirements.

23   MS. ANDERSON: Yes. On this particular --

24 right.

1   MR. GAINES: Okay.

2   MS. ANDERSON: That would be great. Thank you.

3   Thank you for that good explanation.

4   MR. GAINES: Okay. Are there any other

5   comments relating to the Fund Allocation Contract Module?

6   Okay. You'll notice that the remaining modules are

7   asterisks, and this is explained at the bottom of the

8   page.

9   Basically, the project teams aren't far along

10   in the detailed plans. Are not far enough along in the

11   project to have detailed plans. The project team is to

12   develop detailed plans as the design requirements are

13   completed, and with the design completed and the detailed

14   plans in place, at that point, it will be necessary -- or

15   we'll be able to better assess the reasonableness of

16   start/end dates.

17   I believe also we need to reassess, or at least

18   look at one more time the priority in which these are

19   currently being planned, and have the users confirm that

20   priority. And that's all I had planned. So I'd be glad

21   to entertain any other comments.

22   CHAIRMAN GONZALEZ: Anything else, Beth? Any

23   other comments?

24   MS. ANDERSON: I just -- I want to just put a

1 bug in your ear, because I don't want to forget this, and

2 I want to be held to it. In July, when we -- maybe when

3 we have the July -- and I know the July board meeting is a

4 big board meeting. But I would like to -- and maybe we

5 can do it before or during a break or something.

6   But I would personally like to, you know, order

7 a cake or something for the 28 people who are doing this

8 data entry after they're finished, because I want to thank

9 them personally on -- maybe on behalf of the board, but

10 because this is the right kind of behavior, and the

11 leaders of this agency were smart to ask people to step

12 up, and then you're gratified when people do step up. And

13 I really want to recognize those 28 people.

14   MS. CARRINGTON: We will do that. Thank you.

15 And they will thank you, I'm sure.

16   MR. GAINES: Okay. Thank you very much.

17   CHAIRMAN GONZALEZ: If nothing else, then we'll

18 entertain a motion to adjourn.

19   MS. ANDERSON: I so move.

20   CHAIRMAN GONZALEZ: Second. All in favor.

21   (A chorus of ayes.)

22   CHAIRMAN GONZALEZ: The motion carries. The

23 meeting is adjourned.

24   (Whereupon, at 11:45 a.m., the meeting was

1   concluded.)

1   C E R T I F I C A T E

2

3   IN RE: TDHCA Audit Committee Meeting

4   LOCATION: Austin, Texas

5   DATE: May 15, 2003

6   I do hereby certify that the foregoing pages,

7   numbers 1 through 35, inclusive, are the true, accurate,

8   and complete transcript prepared from the verbal recording

9   made by electronic recording by Penny Bynum before the

10   Texas Department of Housing and Community Affairs.

                                                    05/22/2003
                                   (Transcriber)   (Date)

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