TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

AUDIT COMMITTEE MEETING

10:05 a.m.
Tuesday,
August 21, 2001

Room E1.012
Capitol Extension
1400 Congress Avenue
Austin, Texas

COMMITTEE MEMBERS:

C. KENT CONINE, Chair
JAMES DAROSS, Vice Chairman
MARSHA L. WILLIAMS

STAFF PRESENT:

DAISY STINER, Executive Director
THERESA CRUZ
BILL DALLY
DAVID GAINES
SID STRUSS
DELORES GRONECK

A G E N D A

P R O C E E D I N G S

1   MR. CONINE: Okay. We'll call the Audit

2   Committee meeting of the Texas Department of Housing and

3   Community Affairs, on August 21, 2001, at 10:05 a.m.

4   First off, I think we'll call the roll right

5   quick.

6   Mr. Conine is here as Chair.

7   Mr. Daross?

8   MR. DAROSS: Here.

9   MR. CONINE: Ms. Williams?

10   MS. WILLIAMS: Here.

11   MR. CONINE: We've completed a quorum; all

12   three of us are here.

13   Is there any public comment that we know of,

14   public comment to the Audit Committee today?

15   (Pause.)

16   MR. CONINE: All right. Seeing none, I'll call

17   for the close of public comment.

18   Action items: Tab Number 1, Presentation,

19   discussion and possible approval of the minutes of the

20   Audit Committee meeting on April 26, 2001.

21   MR. DAROSS: I move they be approved.

22   MR. CONINE: Is -- there's a motion on the

23   floor. Is there a second?

24   MS. WILLIAMS: Well, I'll second, but I need to

1 abstain from the vote on that.

2   MR. CONINE: You'll second but are going to

3 abstain? Okay. Thank you, Ms. Williams.

4   All those in favor of the -- any other

5 discussion?

6   (Pause.)

7   MR. CONINE: All those in favor of the motion

8 signify by saying aye.

9   (A chorus of ayes.)

10   MR. CONINE: Aye.

11   And opposed?

12   (Pause.)

13   MR. CONINE: None.

14   And one abstention?

15   MS. WILLIAMS: Uh-huh.

16   MR. CONINE: The minutes are approved.

17   Our report items, Mr. Gaines?

18   MR. GAINES: Good morning, Chair --

19   MR. CONINE: Good morning.

20   MR. GAINES: -- members of the Committee and

21 Ms. Stiner.

22   MS. STINER: Good morning.

23   MR. GAINES: The first item on the agenda is

24 the recently released internal audit report on the

25 Community Services monitoring function. I'm going to turn

1 that discussion over to the lead auditor, Theresa Cruz.

2   MR. CONINE: Good morning.

3   MS. CRUZ: Good morning, Committee members and

4 Ms. Stiner.

5   MS. STINER: Good morning.

6   MS. CRUZ: My name is Theresa Cruz, and I am an

7 internal audit manager in the Internal Audit division. I

8 was the lead auditor on this project for reviewing the

9 Community Services programs subrecipient monitoring

10 function, and the resulting report is in front of you.

11 I'm going to go over that report with you now.

12   The front page is just a transmittal letter,

13 and it gives you a brief description of what the project

14 was. It was on the Community Services programs, which are

15 poverty-related programs, and gives you just a real brief

16 rundown on what we found.

17   And the next page, which is the table of

18 contents, gives you a more detailed view of what's in this

19 report, covering the program overview, the executive

20 summary, which goes into a little bit more detail of what

21 our findings were, and then the specific findings and

22 recommendations.

23   The next page is the program overview. The

24 objectives of the audit were to assess whether the

25 Community Services programs monitoring, reporting and

1 follow-up processes are adequate to ensure that the

2 department awards are used for authorized purposes in

3 compliance with laws, regulations and provisions of

4 contract or grant agreements, and that performance goals

5 are achieved.

6   The program overview gives you some more

7 detailed information about the programs that we covered in

8 our review; as I said, they're poverty-related programs:

9 Community Services block grant, which includes a

10 discretionary fund; the emergency services grant program

11 and the emergency nutrition/temporary emergency relief

12 program, which is a state program. The chart included on

13 that page gives you the most two current years of funding

14 for each of those grants.

15   The next page includes the executive summary,

16 which gives you a little bit more detail about what we

17 found in our review, and that's followed by the findings

18 and recommendations in detail, which I'll go over with you

19 right now.

20   As a result of the audit, we found that the

21 Community Services program monitors are performing the

22 monitoring function fairly well; they have a good rapport

23 with their subrecipients, which include several community

24 action agencies for Community Services block grant. And

25 it covers cities and counties and, also, community action

1 agencies for the emergency shelter grant and mostly

2 counties, but, also, some community action agencies for

3 the entire program.

4   We did have some recommendations with regard to

5 monitoring of these programs. The first one was to

6 incorporate some existing in-house monitoring procedures.

7   There are in-house procedures performed on an ongoing

8 basis that Community Services management has not

9 recognized as part of the monitoring function in order to

10 determine what procedures should be applied to a

11 subrecipient on site.

12   For instance, there are monthly reports that

13 are reviewed every month that come in. There are

14 compliance audits going on with single audits in the

15 compliance division. There are just some general other

16 things that go on that Community Services doesn't

17 recognize as part of their monitoring function.

18   The next is applying monitoring procedures

19 based on assessed risks. The use of the monitoring tools

20 has not been risk-based, that is: Community Services does

21 not consider risk factors when determining the nature and

22 extent of monitoring procedures to be applied during on-

23 site visits.

24   Most of this would have to do with prior

25 compliance issues -- let's see what else -- and the

1 complexity of the program requirements for each

2 subrecipient to decide how they're going to apply

3 procedures when they go on site.

4   The next recommendation we had was to improve

5 their monitoring tools. At -- the monitors use

6 checklists, and they have -- they review Board minutes and

7 several other items when they go on site, and they do a

8 fairly thorough job that we could tell.

9   However, there's no documentation in the

10 monitoring files to support some of the responses on the

11 checklists used. On some of the answers, it's okay if you

12 say, Yes, No, or, N/A, but some of the questions, we felt,

13 required more explanation, and we didn't always find the

14 documentation in the files for that.

15   There's also no evidence in the monitoring

16 files that a supervisory review has been performed to

17 ensure findings are adequate and appropriately reported.

18 And the -- we feel that the monitoring checklist should be

19 expanded to include steps to ensure activities performed

20 by a subrecipient are eligible under program rules and

21 that performance goals are met.

22   The checklists include references to several

23 OMB circulars and regulations, and they cover most of the

24 general requirements, but we felt that they needed to

25 cover more specific requirements to the program.

1   We felt that they should improve their

2   reporting procedures. Report distribution should be

3   improved to include other areas in the department that

4   contract with the same subrecipient more for compliance

5   reasons. If one area's having a problem with a

6   subrecipient, they probably should let other department

7   programs know about that so that they won't contract with

8   the same subrecipients or take steps necessary.

9   And then, finally, we feel that they should

10   establish a tracking system to follow up on reported

11   deficiencies. Formal procedures should be developed to

12   follow up -- to track and follow up on deficiencies, and

13   we didn't find evidence of that.

14   We have discussed these issues with the

15   Community Services management, and their responses to our

16   concerns are acceptable at this time. So if you have any

17   questions for me, I'd be happy to answer them.

18   MR. DAROSS: Yes, I have a question --

19   MS. CRUZ: Yes, sir.

20   MR. DAROSS: -- on management's response to the

21   improved reporting procedures and risk assessment, also.

22   The response was that they would post the results of their

23   reviews on the T drive --

24   MS. CRUZ: Yes, sir.

25   MR. DAROSS: -- which, as I understand it, is

1 an agencywide --

2   MS. CRUZ: A shared drive.

3   MR. DAROSS: -- shared drive that anybody can

4 access. Does everyone else in the agency know that you

5 look at the T drive in order to find out whether other

6 divisions are having problems with the same person you're

7 dealing with?

8   MR. GAINES: I believe each of the program

9 areas has similar considerations, and there's not a

10 department standard whereby people would know where to

11 look. Posting the results of monitoring review, being the

12 monitoring report, would be a piece of that.

13   You also have follow-up activities, the status

14 of prior audit issues and the resolution of those issues.

15 There ought to be mechanisms in place to communicate that

16 throughout the department to those that need that

17 information to perform their job duties.

18   MR. DAROSS: As I understand the way the T

19 drive works -- and I may -- I mean it's a very cursory

20 understanding, but, as I understand it, to look at results

21 of one of these surveys, you have to go into the Community

22 Services division's section on the T drive and then go

23 down to the different programs that you're looking at

24 before you can find information about a given

25 subrecipient.

1   Is there a way that somebody else in another

2 division can just type in "XYZ Corporation" and get that

3 information without having to go through the different

4 layers of files or folders that you have to go through on

5 the T drive?

6   MR. GAINES: Not at this point in time. I

7 believe there are plans in connection with the database

8 that's being built that presumably are going to

9 accommodate that sort of request.

10   MR. DAROSS: Well, I would hope so, because

11 you've got to make it easy for somebody to find that

12 information --

13   MR. GAINES: And I'd say --

14   MR. DAROSS: -- without going through so

15 much --

16   MR. GAINES: -- with or without the

17 departmentwide database, that's necessary. And we need

18 procedures in place for people to be able to do that.

19   MR. CONINE: Ms. Stiner, any additional

20 comments related to the review other than what we've heard

21 or has been written here?

22   MS. STINER: No, sir. The -- I understand from

23 meeting with Mr. Gaines that management's responses are

24 acceptable. With the additional comment that Mr. Daross

25 made this morning, we'll ensure that -- I don't know what

1   the interim step would be other than our T drive right

2   now. We just don't have the infrastructure to do it, but

3   that's --

4   MR. DAROSS: Right.

5   MS. STINER: That's an observation that we'll

6   keep in mind: Perhaps doing an agencywide announcement

7   that in order to look at the history of compliance for the

8   Community Services division, you'll need to go into T

9   drive. But short of having the infrastructure, with

10   Central Database, we'll have to go through those

11   extraordinary steps other than what we were doing before,

12   sending out e-mails and --

13   MR. GAINES: I was going to say there are other

14   procedures --

15   MS. STINER: -- those in place already.

16   MR. GAINES: -- that management tries to work

17   with considering their system limitations, including,

18   We're fixing to go out for an award with this

19   subrecipient; is anyone aware of any monitoring problems

20   relating to that, just going over the e-mail system. And

21   that may work in instances, and it may not work, simply

22   because e-mails are not always acknowledged in a timely

23   fashion.

24   MR. CONINE: It looks like we have target dates

25   of either September or January for each one of your

1 recommendations. Is --

2   MS. CRUZ: That's correct.

3   MR. CONINE: -- that right?

4   MS. CRUZ: Yes, sir.

5   MR. CONINE: Just --

6   MS. CRUZ: Some have --

7   MR. CONINE: -- relatively --

8   MS. CRUZ: -- already have been partially

9 implemented.

10   MR. CONINE: Relatively soon then?

11   MS. CRUZ: Yes, sir.

12   MR. CONINE: Any other comments, Committee

13 members?

14   (Pause.)

15   MR. CONINE: Okay. Proceed on.

16   MR. GAINES: Thank you, Theresa.

17   MS. CRUZ: Okay.

18   MR. GAINES: The next item on your agenda

19 relates to three recently released review reports for

20 audits that have been released since the last Audit

21 Committee meeting. I'll provide brief overviews of the

22 results of these projects.

23   The first review I want to discuss is the HUD

24 cooperative monitoring assessment audit of the

25 manufactured housing division. The purpose of the review

1 was to review the administration of manufactured housing

2 division's duties as the state administrative agency

3 pursuant to federal manufactured home procedural and

4 enforcement regulations. These are basically the HUD regs

5 on manufactured housing.

6 The report concluded that the department, as

7 the SSA, or State Administrative Agency, was adequate and

8 substantially effective in administering the federal

9 manufactured housing program. Adequate -- they basically

10 have three ratings, and "adequate" is the highest

11 rating --

12 (Laughter.)

13 MR. GAINES: -- per the audit language.

14 MR. CONINE: Way to go, HUD.

15 MR. GAINES: The lower categories would be

16 "needs improvement" and "not adequate." The report

17 concluded that the records are complete and well

18 organized, that consumer cases are addressed in a timely

19 fashion, that the visit they made -- to the dealer and

20 manufacturer that the reviewers made appeared to be

21 adequately monitored.

22 The report did offer six recommendations; since

23 that time, one of the recommendations has been dropped by

24 HUD. And management has indicated that each of those

25 recommendations has been implemented.

1   The second review is the annual review of the

2   FDIC Affordable Housing Disposition program, which is

3   administered by the department's compliance division. The

4   review was performed by the monitoring and compliance unit

5   of the FDIC.

6   The report concludes that TDHCA continues to

7   produce an exceptional work product. The report states

8   that the department carries out its obligations of

9   ensuring that the owners of Affordable Housing Disposition

10 properties are complying with their land use restriction

11 agreements and that the director of the compliance

12 division and their staff continue to be the benchmark that

13 FDIC uses to compare all other monitoring activities of

14 the FDIC affordable housing program. There were no

15 findings or recommendations noted for improvement.

16   The third report relates to an audit conducted

17 by the State Comptroller of Public Accounts. The review

18 is primarily of the accounting department's procedures

19 relating to purchases and, to a lesser extent, the human

20 resource division's procedures as they relate to payroll.

21   The report noted that the most recent audit

22 conducted by the comptroller's office was in April of 1997

23 and that all issues identified by that audit have been

24 resolved. While the audit included a limited review of

25 grant and refund transactions, the audit did not

1 investigate the department's procedures used in awarding

2 the grants or in monitoring payments or the procedures we

3 use to monitor payments made to grantees.

4   Accordingly, no opinion was offered on those

5 procedures; however, nothing came to their attention to

6 cause them to have concerns in that area.

7   The primary purpose of the audit was to

8 determine whether certain purchases, travel, grant, refund

9 and payroll transactions of the department complied with

10 certain laws and regulations concerning expenditures and

11 with the processing requirements of the uniform statewide

12 accounting and payroll systems.

13   The department was commended on satisfactorily

14 resolving all monetary issues identified during fieldwork.

15   And this resulted in a zero error rate for this group of

16 transactions.

17   The audit did note several minor issues

18 relating to prompt payment, missing documentation and

19 incorrect payment amounts, and there were several

20 conditions that need to be followed up on by the

21 department.

22   These conditions included: Missing job titles

23 in headquarters on travel vouchers; incomplete designation

24 letters, which is also another travel voucher

25 consideration; incorrect comptroller object codes,

1 document types and the use of interagency transaction

2 vouchers; incomplete payroll security and incomplete W-4

3 forms, and; noncompliance with internal policies and

4 procedures. Management has responded that they've

5 addressed each of these issues.

6   MR. CONINE: Okay. Any questions on any of the

7 three -- I guess it was three -- external audits?

8   MR. DAROSS: No.

9   MR. CONINE: Move on.

10   MR. GAINES: Okay. The next agenda item is the

11 summary status of prior audit issues. First, based on

12 recent discussions with management, I'd like to make

13 several updates or corrections to the summary report.

14   Issue Reference 34 on page 1 of your report

15 should be classified as Implemented. Therefore you need

16 to change the "DX" to an "IX" for Issue 34.

17   MR. CONINE: Okay.

18   MR. GAINES: The second issue is Issue

19 Reference 136 on page 2. This should be classified as In

20 process of implementation or "PX" rather than the "TX"

21 that's indicated.

22   And the third issue is to Reference 64, or is

23 Reference 64 on page 4 of your summary. And this should

24 be classified as In process of implementation or "PX"

25 rather than the "TX" indicated there.

1   MR. CONINE: Which one was that, David? I'm

2   sorry.

3   MR. GAINES: Issue 164 of page 4 of your

4   summary.

5   MR. CONINE: 164? Okay. All right.

6   MR. GAINES: With these updates, management has

7   reported that they've implemented 13 recommendations, are

8   in the process of implementing 14 recommendations and

9   action has been delayed on one of the recommendations.

10   I've specifically identified several issues to discuss

11   with you; however, of course, we'll be glad to discuss any

12   issue that you would like to.

13   Those I've identified for specific discussion

14   relate to the prior material weakness finding on the HOME

15   monitoring function --

16   MR. CONINE: What number, again?

17   MR. GAINES: If it's all right, I'll get to

18   that in --

19   MR. CONINE: Oh, okay.

20   MR. GAINES: I don't have that right in front

21   of me but --

22   MR. CONINE: All right.

23   MR. GAINES: -- that is Issue 217.

24   MR. CONINE: All right.

25   MR. GAINES: But I'm just going to categorize

1 what I'm going to plan on discussing, if that's all right:

2 The material weakness finding on the HOME monitoring

3 function, and three prior audit issues for which the

4 target dates -- the most recent target dates have expired

5 or the target date is not indicated, and one audit issue

6 for which the action has been delayed.

7 Of those categories, the first issue, being the

8 material weakness finding, is Issue 217 on Page 7 of 9.

9 This issue is actually at this point reported by

10 management as implemented; it relates to a material

11 weakness finding of the HOME monitoring function issued by

12 the state auditor's office in connection with their last-

13 year federal single audit -- Fiscal Year 2000.

14 The issue was a repeat comment from the prior

15 year, 1999; however, since the results of that audit were

16 not released until a significant portion of the following

17 year had expired by the time management started taking

18 corrective action, it was necessary for the SAO to repeat

19 that comment for the second, subsequent year.

20 According to management, the report was

21 substantially implemented by the end of Fiscal Year 2000

22 and fully implemented as of January of 2001. And I just

23 wanted to bring this issue to your attention because it is

24 a significant issue, and the state auditor's office has

25 the responsibility to follow up on the status of that

 1 issue during the current year audit, for which they're in

 2 the planning process right now.

 3   And so as a result of that audit, we'll have a

 4 current, independent assessment of the status of that

 5 issue. That will probably be sometime in late fall or

 6 early next year.

 7   MR. CONINE: But as far as we're concerned,

 8 it's implemented and --

 9   MR. GAINES: Yes, sir.

10   MR. CONINE: -- we're right on course? Okay.

11 Good.

12   MR. GAINES: Okay. The next category relates

13 to target dates that have expired or are not indicated,

14 and there are three issues reported in this category.

15   The first issue is Reference 136 on page 2.

16 This issue relates to the recommendation to formalize

17 processes to identify and capture monitoring-related

18 information that should be used to monitor and evaluate

19 the performance of subrecipients, to plan and track the

20 results of monitoring reviews and to share between

21 departments programs. So it's real similar to what we had

22 discussed on the compliance monitoring function -- excuse

23 me -- on the Community Services.

24   You'll note in the internal audit comments

25 section there on your summary report that the HOME and

1 Housing Trust Fund are tracking necessary monitoring

2 information and that energy assistance and Community

3 Services have been working with the information services

4 division to incorporate electronic processes to gather

5 this information and that Section 8 needs to incorporate

6 formal monitoring processes as a first step in being able

7 to accommodate this recommendation.

8   And the Internal Audit division just reiterates

9 the needs to formalize these processes and to make the

10 information available, the same issue we were just

11 discussing in the prior report.

12   MR. CONINE: Is this kind of a case of the

13 chicken and the egg? Can you formalize the process -- and

14 I would presume that would mean some sort of written

15 process -- without having the final software system or the

16 T drive, or whatever, in place and operational? Can you

17 do that?

18   MR. GAINES: I may have an oversimplified view

19 of the obstacles management faces -- I haven't sat in

20 their seats. But it seems to me that much of this

21 information can be captured on Excel spreadsheets -- We

22 got these outstanding monitoring issues, and we followed

23 up on them. As of this date, the status of these

24 issues -- similar to my prior audit issue report, and that

25 be made available on a regular basis to others in the

1   department.

2   I believe one of the biggest obstacles in

3   moving this forward is that -- each division -- each

4   program is trying to assess for themselves how to

5   implement this, rather than take a departmentwide approach

6   to dealing with it. And a system is exactly that. And a

7   five-column pad is a system, and this kind of information

8   can be accumulated on that. Of course, it's preferable to

9   have a nice, automated system to provide this information.

10   MR. CONINE: Ms. Stiner has been floating

11 around for 18 months or so.

12   Do you care to comment on his comment?

13   MS. STINER: I wouldn't care to comment on his

14 comment. I hope we don't go to using columns -- the pad

15 to keep up with the information.

16   MR. GAINES: That's right.

17   MS. STINER: But what each division has done is

18 created a system within the division. Now, while that's

19 not preferable to having it department wide, Mr. Gaines

20 and I have talked about this on several occasions, and

21 what he has proposed as an interim step is someone in

22 charge of it on a departmentwide basis.

23   As soon as I can figure out how to come up with

24 the resources to do that, I will. But in the interim, we

25 are working toward a centralized database, which is a

1 system that would get us what we need.

2   But in the meantime -- he is correct; the

3 department -- the programs are doing it at the department

4 level -- we'll just have to figure out how to get a

5 departmentwide SOP, so that everyone will know where to go

6 to get that information, as an interim step.

7   So that's what I have to add. It's a real

8 difficult position to be in; as Mr. Daross has pointed

9 out, it would take some diligence on the part of every

10 other division to make sure that they know where to go to

11 get that information, but I think that's manageable.

12   And it's something that we certainly will work

13 toward in terms of implementation, but in the interim,

14 each of the divisions, in my opinion, have done it; what I

15 have learned is that not everybody has reduced it to an

16 internal SOP within each division, which should be done,

17 and then that can be shared across the department.

18   MR. GAINES: And I'd encourage the

19 departmentwide SOP. I believe that needs to include what

20 types of information to be captured. That's being decided

21 by the individual programs.

22   Some -- maybe some programs see value in

23 reflecting the current status of a recommendation on a

24 summary sheet, where you can see the status of all issues,

25 while others are actually maintaining that information in

 1 a manila folder in a file cabinet. So it's real

 2 inaccessible.

 3   MR. CONINE: Yes.

 4   MR. GAINES: You know, on what types of

 5 information should be accumulated, identify the

 6 appropriate information. And each program basically has

 7 this monitoring responsibility, and you'd have similar

 8 information needs, which would be receptive to a

 9 departmentwide policy on, What should we be capturing, and

10 what should we be tracking?

11   MR. DAROSS: We should not ever be in the

12 position where the left hand doesn't know what the right

13 hand's doing within the department.

14   MR. GAINES: And that sums it up real well.

15   MR. CONINE: Okay. Can we -- these are the

16 three -- you're going over three things without target

17 dates on them. Is --

18   MR. GAINES: With either the most recent target

19 expired or it's not indicated.

20   MR. CONINE: Well -- and it's not finished,

21 obviously, based on -- if it was finished and it was

22 expired, we wouldn't have a problem. But the task isn't

23 finished.

24   MR. GAINES: No, sir.

25   MR. CONINE: And we need, I guess, to come up

1 with a target date that we can -- because this has been

2 there since the first part of 2000 -- and see if we can

3 come up with an SOP that would get this all across to the

4 department, as opposed to each independent division. Do

5 you --

6   MS. STINER: Yes, sir.

7   MR. CONINE: -- have anything to add to that?

8   MS. STINER: I think that's -- yes, sir, what's

9 what I -- well, that's what I shared with Mr. Gaines when

10 we had an opportunity to look at this. In the

11 departments' or divisions' representations and reports,

12 they are reporting it as implemented. Because it needs to

13 be looked at from a departmentwide standpoint, I asked

14 them to change the status back to in progress so that we

15 could develop a departmentwide SOP.

16   Other than me coming up with a date right here,

17 I'll visit with him to see, you know, what date, you know,

18 we can get --

19   MR. CONINE: Okay.

20   MS. STINER: -- unless you all want to assign a

21 date now.

22   MR. CONINE: No. That's fine.

23   MS. STINER: It's something that we can get to

24 in a short period of time.

25   MR. GAINES: And I'd just encourage that

1   discussions with management would be -- they'd be able to,

2   you know, share a reasonable target date with us.

3   MR. CONINE: Okay. Next?

4   MR. GAINES: Okay. The second issues relates

5   to Issue Reference 119 on Page 3 of 9. And this relates

6   to the need of the department to establish joint

7   monitoring or -- excuse me -- the staff's procedures to

8   conduct joint monitoring visits of subrecipients that

9   administer multiple programs of the department, conduct

10 those visits simultaneously rather than monitoring each

11 program separately or individually.

12   In a similar sense, the SAO, state auditor's

13 office, reported in one of their reports that the

14 department could improve its oversight responsibilities

15 and monitoring-related costs by doing this, monitoring

16 multiple programs simultaneously.

17   MS. STINER: Excuse me, David. What number is

18 that?

19   MR. CONINE: 119.

20   MR. GAINES: This is Issue Reference 119 on

21 Page 3 of 9.

22   [indiscernible] reports that a standard

23 operating procedure relating to monitoring has been

24 developed. This SOP includes a consideration of the joint

25 monitoring visits.

 1   The most recent status update that I have

 2 received indicates that it's being field tested. Since

 3 that update, in discussions with management, I understand

 4 that we're backtracking and going back to the drawing

 5 board because of changes in the organization relating to

 6 CDBG being pulled from the department.

 7   And so we've kind of taken a couple of steps

 8 back, and there's different portions of the SOP that need

 9 to be thought out in that respect. And management is -- I

10 guess that's in their in box, also, in dealing with that.

11   The third issue is Reference 164 on page 4 of

12 your summary. This issue relates to the Housing Trust

13 Fund improving its financial management reporting systems

14 for financial monitoring purposes. You'll note that

15 management has reported that it's tracking de-obligated

16 funds, funds at risk of lapsing, construction amounts

17 versus level of completion.

18   In previous status updates, management has

19 reported that they've updated their database to track

20 contract expenditures on an ongoing basis and their intent

21 to reconcile the general revenues and local fund

22 expenditures to fund balances. These were all portions of

23 the recommendation.

24   Management has also recently reported that

25 they've -- which is the cause of your reclassification

1 there: They have established formal procedures for

2 conducting the financial analyses and reviews of funds

3 available for awards, funds at risk of lapsing,

4 expenditure rates, and trends at the program and project

5 levels.

6   So they've established the procedures to do so

7 in that respect. So they have the financial information,

8 and they have the procedures. The remaining portion of

9 this finding as to why it continues to be classified as in

10 process at this point relates to establishing formal

11 procedures for alerting management when corrective action

12 is needed and establishing procedures for reporting

13 unfavorable conditions to executive management.

14   MR. CONINE: So the last portion of your

15 comment there that the finding will be dropped from future

16 prior audit issue reports, is not --

17   MR. GAINES: That was prior to the

18 reclassification --

19   MR. CONINE: Right.

20   MR. GAINES: -- process. And --

21   MR. CONINE: They'll stay on there?

22   MR. GAINES: -- those comments are at this

23 point being superseded by my testimony today.

24   MR. CONINE: Any questions, Committee members?

25   (Pause.)

1   MR. GAINES: The next category of issues that I

2   believe we need to discuss are those classified as "Action

3   delayed." And this classification implies that management

4   agrees with the recommendation but has delayed

5   implementation for certain reasons. And there's one issue

6   in this category. This is Issue Reference 187 on Page 5

7   of 9.

8   This issue relates to the need of the Section 8

9   program to establish a family self-sufficiency program or

10   for the need to request an exception from doing so. Our

11   management has reported they have requested that exception

12   from HUD, and we're pending -- the action has been

13   delayed, pending no [sic] response from HUD.

14   MR. CONINE: We've gotten a letter from HUD --

15   it looks like on July 10 -- stating that they're taking

16   their time analyzing whether or not we'll get the

17   exception.

18   MR. GAINES: The way I understand it at this

19   point is that they haven't made that decision. So that

20   would be --

21   MR. CONINE: Have you had some --

22   MR. GAINES: -- a good inference.

23   MR. CONINE: -- communication -- verbal

24   communication with HUD?

25   MS. STINER: Yes, sir. The staff of Section 8

1   has been working closely with HUD. In fact, a proposal

2   that we had sent to HUD to use for the self-sufficiency

3   plan was not approved because the organization we wished

4   to enter into agreement with decided to create their own

5   housing authority.

6   So HUD has worked very closely with the staff,

7   and suggested that perhaps the route we needed to take was

8   to request a waiver. And so we have been working with

9   them. I'm expecting that they'll give us an answer

10 shortly.

11   I just want to add to this. It's complicated

12 by the fact that the department operates a very small PHA

13 and we've been classified as a PHA relative to other PHAs

14 across the states.

15   So I think that's why HUD is considering to

16 give us a waiver of that, because we don't do case

17 management that's similar to other agencies', although we

18 do have local operators out there, but -- because we're

19 not able to designate, you know, a staff or local operator

20 to do it for the entire state.

21   And, plus, our certificates and contracts

22 are -- we have one with Dallas, we have one with Houston,

23 and we have one with San Antonio. So it's a little

24 difficult to get a plan that would work for all of them.

25 We had anticipated that we could enter into an agreement

1   with the Austin Housing Authority to do that on behalf of

2   that, but that didn't work out, either; they proposed a

3   fee which we aren't able to pay.

4   So we've kept HUD informed of this as we've

5   gone along. They've been very helpful, and they've been

6   here on a couple of occasions to offer technical

7   assistance. So we are in step with HUD on this, and we

8   expect back from them very shortly on that.

9   MR. CONINE: Any other questions relating to

10   prior audit issues?

11   (Pause.)

12   MR. CONINE: Okay.

13   MR. GAINES: If you will, turn to the next

14   agenda -- on the next agenda item. It's the summary

15   status of internal/external audits.

16   MR. CONINE: Is that pass-out not in here?

17   MR. GAINES: Yes, sir, that's correct. It

18   updates the version you have in there to reflect a

19   program-specific audit of the Section 8 program that, for

20   some reason, I did not get on the original summary. And

21   that's the first audit listed there.

22   You'll -- it is the Section 8 Program program-

23   specific audit that was required of the department

24   pursuant to HUD's monitoring letter last year. And the

25   department expects that to be completed sometime this

1 month.

2 MR. DAROSS: I believe it was last month or

3 maybe the month before when you reported that you were

4 recommending that the internal audit -- Section 8 audit be

5 deleted for lack of resources. Is this external audit a

6 substitute for that? Can it be viewed as something that

7 gives us enough information that we know what's going on

8 with Section 8?

9 MR. GAINES: Yes. And that was a big

10 consideration in me identifying that audit as one to --

11 that would be reasonable to drop, recognizing that this

12 program-specific audit was in process and going on. And

13 I'm surprised I didn't actually refer to it; I was looking

14 for good reasons to drop that.

15 MR. DAROSS: Okay.

16 MR. GAINES: The next several reports -- the

17 state auditor's office and Deloitte and Touche and their

18 subcontractor, Garza, Gonzales and Associates, are in the

19 process of planning their annual audits of the department.

20 The next audit listed is the Health and Human

21 Services of the Community Services block grant program.

22 This review has been tracked since last summer.

23 I believe their original planned report release

24 date was June of 2000. Based on discussions with

25 management, at this point, they do not believe there's

1 ever going to be a report released on that project, for

2 whatever reason. And accordingly, I'm dropping it from

3 the status report unless further information comes to

4 light that would cause us to believe otherwise.

5   The following three reports listed are the

6 reports I've previously discussed, by the comptroller's

7 office, the FDIC and the HUD report of the manufactured

8 housing division.

9   For the internal audits that are listed,

10 Theresa Cruz just presented the results of the

11 subrecipient monitoring of Community Services programs.

12 And the final project there, which is also the final

13 project on our amended audit plan, is the single-family

14 lien procedures. And we're expecting completion of that

15 project by late September.

16   Any questions?

17   (Pause.)

18   MR. GAINES: Okay. The next few agenda items

19 just relate to information requests that have previously

20 been made by the Audit Committee. The first issue is the

21 loan status report on down-payment assistance funds. In

22 discussions with management -- I'd like to pull this out

23 of the agenda. Management would like additional time to

24 assess the information and provide the summary at the next

25 meeting.

1   This came about by a request from you, Mr.

2   Conine, in regard to an adjustment made to the allowance

3   account by the external auditors during last year's audit.

4   In connection with a recommendation also made

5   by the department's external auditors for Fiscal Year

6   2000, last year, the department should begin planning and

7   be prepared for full implementation of GASB 34, which is

8   the new reporting standard for governmental organizations.

9   This standard applies to financial reporting on

10   the financial statements, and it will be effective for the

11   department's financial statements ending August of 2002,

12   which will be released in the fall of 2002. And I was

13   going to turn this issue over to the department's chief

14   financial officer, Bill Dally, to provide an update

15   requested by Mr. Conine by the end of the year.

16   MR. DALLY: Good morning, Mr. Chairman --

17   MR. CONINE: Good morning.

18   MR. DALLY: -- members and Ms. Stiner.

19   MS. STINER: Good morning.

20   MR. DALLY: To bring you up to date on the --

21   oh. I'm Bill Dally, chief financial officer.

22   To bring you up to date on GASB 34, that will

23   be -- we will issue a financial report in December, which

24   will be for our ending this August, that will not be GASB

25   34. So in about 15 or 16 months, we will issue the new

1 report under the new model.

2   We are working with -- this is going to be a

3 statewide project. The comptroller's working to get the

4 whole plan -- they want to have an unqualified opinion on

5 the state as a whole. So we will be working in tandem and

6 in connection with them.

7   We'll also be working with our new external

8 auditors, Deloitte and Touche; as we go through the audit

9 of this year, we'll be discussing items that need

10 adjustment and change for the new reporting model.

11   I do want to tell you: I wish that was all.

12 If we were going to stay the same entity that we are

13 ending this year going into the next year, it would be a

14 little bit simpler. But that's not the way it's going to

15 be.

16   We're going to -- through the period of this

17 next fiscal year, we will be breaking off and having the

18 CDBG funds and some of that leaving, but there will be a

19 portion of the year where it will still be part of us. We

20 will also be sort of a bit of a subdivision within

21 ourselves just for the manufactured housing division.

22   So all of those things are even more immediate

23 because there will actually be a transfer of assets and

24 resources as far as CDBG and local government services

25 going to the new agency. At the same time, we'll still

1 need to administratively support them.

2 So those are a little bit more on the front

3 burner for me because that's coming even before we report.

4 But we'll be factoring all that in as we prepare.

5 MR. CONINE: I guess my --

6 MR. DALLY: Any questions?

7 MR. CONINE: Yes. What my specific question

8 related more to is, Is the implementation of GASB 34 going

9 to require any procedural changes on the department's

10 part, or is it just going to require the financial

11 statements to be reporting the existing procedural

12 documents in a different manner?

13 MR. DALLY: For the most part, it's going to be

14 showing it in a different manner. There will be

15 governmental -- government is going to be moving towards

16 full accrual.

17 And a lot of the accounts and some of the

18 things that we've had over in the fixed asset account

19 group and general long-term debt are going to go away.

20 There are going to be liabilities and assets that are

21 going to come onto the books of the governmental funds.

22 MR. CONINE: Sure.

23 MR. DALLY: Now, our particular department has

24 both the proprietary funds, which have always been full

25 accrual -- those bond funds and the tax credits and all

1 those things have been full accrual -- and the assets have

2 been depreciated. But any of the funds that -- previously

3 that were paid for out of general revenue or federal funds

4 have not been. So those things are going to be coming

5 onto the books, but it will give it a different look. As

6 far as --

7   MR. CONINE: The --

8   MR. DALLY: Does that answer your question?

9   MR. CONINE: Yes, I think. I -- again, where

10 I'm heading is that I wanted this discussion to take place

11 prior to September 1 because, if there were any procedural

12 differences that would help you meet the requirements of

13 GASB 34 that the rest of the department can do, either in

14 the cash management or the -- you know, whatever it

15 happened to be -- because I hadn't read it yet but I knew

16 you had -- then I'd want to implement those procedural

17 differences now, rather than waiting until December or

18 January and waking up and saying, Oh, my gosh, we need to

19 change this; we've been doing it wrong for three or four

20 months.

21   And that's what I was primarily driving at

22 with the request for you to report back here.

23   MR. DALLY: I think we're in good shape as far

24 as that's concerned.

25   MR. CONINE: So I can take your word for it?

1   MR. DALLY: Yes.

2   (Laughter.)

3   MR. CONINE: Good.

4   MR. GAINES: Would you agree, Bill, that this

5   is primarily an -- accounting and reporting changes, as

6   opposed to operating procedures?

7   MR. DALLY: Yes. Well, what's going to happen

8   is -- just to be real brief, with GASB 34, you're going to

9   see major funds and major activities and, particularly,

10   things -- government does some things, and we collect

11   fees. And this agency does that, but that doesn't defray

12   all the cost.

13   But you are going to see the activities and

14   some of those fees, and you'll see what part of the cost

15   is defrayed by those fees and then what's remaining and

16   paid for by general revenue funds or transfers, per se.

17   But it's to give it a new look, you know. And like I say,

18   government's going to be on full accrual. We're going to

19   put the assets and have depreciation and those kinds of

20   things.

21   MR. CONINE: State government is?

22   MR. DALLY: Uh-huh.

23   MR. CONINE: What about local government?

24   MR. DALLY: Everybody.

25   MR. CONINE: Everybody?

1   MR. DALLY: Everybody's moving to --

2   MR. CONINE: Everybody?

3   MR. DALLY: Well, the Feds? I don't know.

4   MR. CONINE: All right.

5   Any other questions?

6   MR. DALLY: I don't think anybody has audited

7   or issued opinions on their books.

8   MR. CONINE: Any other questions of Mr. Dally

9   on this issue?

10   (Pause.)

11   MR. CONINE: Thank you, sir.

12   MR. DALLY: Okay.

13   MR. GAINES: Thank you, Bill.

14   The final Audit Committee request, also from

15   Mr. Conine, relates to the results of the security audit

16   referred to by Mr. Struss, during the last Audit Committee

17   meeting, our director of information systems.

18   (Pause.)

19   MR. GAINES: And I'd like to turn that over to

20   Mr. Struss -- oh.

21   Okay. I thought you had left on me.

22   MR. STRUSS: No. I'm still here.

23   Good morning, everyone.

24   MR. CONINE: Good morning.

25   MS. STINER: Good morning.

1   MR. STRUSS: My name is Sid Struss; I'm the

2   Director of Information Systems. And, I believe, on my

3   last report, I indicated some of the security

4   implementation procedures that we -- had taken place in

5   information systems.

6   And, Mr. Conine, you had asked that we give a

7   little bit more of a detailed report when we came back as

8   far as some of the preliminary work that we did and then

9   where we are right now. And I believe this document made

10   it to one of the books here or --

11   MR. CONINE: We're getting it now.

12   MR. STRUSS: And, basically, in September is

13   when I came on board. I did my own independent security

14   audit and found what I thought were some very serious

15   concerns with the security.

16   At that point, in October, we brought on an

17   outside consultant to do a security audit and take his

18   findings and match them up with mine before we made any

19   strategic plan as far as what we wanted to implement. And

20   the outside security audit found most of the same things

21   that I found, but they also found a few more things that

22   we needed to accommodate.

23   Then, in November, what we did was -- the

24   entire agency -- not to get technical, but the entire

25   agency was on their own address for the internet. That

1 meant everybody had their own address on the computer.

2 This was easy for any hacker out there to actually get

3 into our system.

4   So to protect that, we started giving out

5 different addresses from the computer to everyone when you

6 signed on in the morning. So your address was never the

7 same, never a fixed address. So by doing that, we closed

8 one of the security loops.

9   In our infrastructure upgrade of which the

10 agency was -- worked very, very closely with information

11 systems, because we needed to do some infrastructure

12 upgrades that require certain capital expenditures. And a

13 lot of folks forgo the purchase of PCs and so forth to

14 say, We've really got to do something about the

15 infrastructure.

16   And what we did -- we went out and -- one of

17 the pieces of equipment was being used as a security

18 firewall. And I'm sure you've heard that term used

19 before, but it was really a work-around for security. So

20 we bought the necessary equipment and actually put the

21 necessary equipment in there to block certain people

22 trying to get in to damage the agency.

23   Then, in April, what we did -- what we

24 performed was on our e-mail server. And one of that was

25 that -- and many state agencies recently got hit by

1 this -- was that we blocked certain extensions on files.

2 EXE is an extension on files, just as an executable file.

3   By taking this approach in April and May --

4 most recently, you've probably read in the newspaper of

5 the Code Red virus, and you've read of the Sircam

6 [phonetic] virus. Our agency was hit, I mean,

7 substantially by these two viruses.

8   Many state agencies lost a substantial amount

9 of data, which they had to restore from archives. Our

10 agency was able to actually -- because of all of these

11 measures that we made, we were actually able to stop both

12 the Sircam virus and the Code Red.

13   The -- what we have noticed over the course of

14 the last year is that these viruses and these hackers have

15 become smarter and smarter. We've been studying. A lot

16 of this is coming out of China. This is where the Code

17 Red virus is coming out of, and it will continue -- it

18 continues to get smarter.

19   On the Code Red virus, what we did was -- we

20 actually in our infrastructure upgrade put certain

21 monitoring programs in effect that makes our pagers in our

22 information systems division go off. We actually go look

23 at the box, and we see the attack taking place.

24   The first time the Code Red virus hit us --

25 which was a total different virus -- the pager went off,

1 and we were able because of the monitoring that we had set

2 up in our strategic plan -- was able to actually get in

3 there. We shut the web server down that we had for the

4 agency for an hour, got ahold of the necessary vendors,

5 got the patches, applied those patches and then brought

6 the server back up.

7 So as far as the impact on the agency, we were

8 down for approximately an hour. Other agencies were down

9 three days or five days. It was a tremendous hit by the

10 virus.

11 One of the things that we want to do is -- we

12 expect these attacks to get even more numerous and get

13 smarter because what they try to do -- they -- when we

14 apply these patches, they learn these patches and then

15 they work around these patches.

16 One of the final things: We probably have --

17 in an overall DIR-performed security survey, you might

18 say, we ranked at the very highest that was recently done.

19 As far as agency-secured -- as far as the agency's

20 knowledge of security, not just information systems, we

21 went to various managers within the program areas.

22 We selected them, and they responded to this

23 survey. And when the survey was all put together, our

24 knowledge and concern about security was one of the

25 highest of all state agencies.

1   One of our final plans to do is that -- we've

2   been working with the state auditor's office. DIR

3   actually has a -- what they call a security audit. Now,

4   we think we have everything in place, but there may be

5   things that we have missed. And DIR actually charges a

6   rate -- they send a contractor, Sprint, out and charge a

7   rate of $7,000.

8   The state auditor's office will do the --

9   perform the same security audit at no charge to us. And

10   we've been working with the state auditor's to consider

11   having them run a final security audit of our overall

12   system to make sure whatever we need to do to give that

13   final, little -- I guess we're looking for perfection

14   here. We want to make sure it's completely secure.

15   This is a very -- security in an agency is an

16   un-visible thing to executive management, to middle

17   management, and to whatever. People don't see what

18   actually has to go in and take place. And because of

19   that, we put so much effort into it -- and it's not

20   visible -- as an example is the central database; it's

21   very visible -- we want to show results.

22   We want to show where we're going. People ask

23   questions like, How are you doing on that project? But we

24   don't want to lose the sight that security is an

25   unrewarding task but a very important task.

1   And the state auditor's -- the reason we want

2   to get with the state auditor's is we want to have that

3   last -- not so much from an audit standpoint to let

4   your -- that you need to meet certain issues, but more

5   from the standpoint to make sure that we have not left

6   anything uncovered to get ready for the next fiscal year

7   to protect all the State's assets at TDHCA.

8   MR. CONINE: That sounds wonderful. I'm

9   pleased to hear those reports. And good job over the last

10   12 months. It sounds like we're getting there.

11   Any questions from anybody?

12   (Pause.)

13   MR. CONINE: Ms. Stiner, would you like to

14   comment on anything?

15   MS. STINER: No, sir.

16   MR. CONINE: Thank you, sir. We appreciate

17   that.

18   MR. STRUSS: Okay. Thank you.

19   MR. GAINES: That concludes the agenda items.

20   Any further discussion?

21   MR. DAROSS: This is just kind of a general

22   question. I know there was several changes that you made

23   or had us write in on the report items on prior audit

24   issues.

25   MR. GAINES: Yes, sir.

 1   MR. DAROSS: Generally speaking, how timely is

 2   the response that you're getting from the various

 3   management entities to your requests for information so

 4   that you can put them into reports for us?

 5   MR. GAINES: Basically, on this -- I'll just

 6   use this time around as an example. I believe the date of

 7   that report you have in front of you is approximately a

 8   week ago. The date I actually printed it out and

 9   delivered it to Delores for inclusion in the Board books

10   was a week ago.

11   And I had, oh, given management notice that

12   this is what I was reporting to the Audit Committee

13   several days prior to that point in time, and I'm

14   guessing -- estimating it was a week at that time. So I

15   believe it was two weeks ago that I notified management of

16   the changes or the -- what I -- my planned presentation

17   was.

18   And since the information was distributed to

19   you in the Board book, any changes that have occurred have

20   been due to input since that point in time from

21   management. And so I guess the short and long of it is

22   that I, in this case for the most part, got responses from

23   management and incorporated that in the printout you see

24   in front of you, and since that point in time, the

25   classifications have changed to how I've updated them.

1   So yes, I got the input, but yes, it's also

2   changes.

3   MR. DAROSS: Now -- and this ties in with a lot

4   of other things that we've talked about in terms of timing

5   of -- for instance, we've talked about this a lot on the

6   tax credit information to the Board.

7   Given the fact that you -- you know, we have to

8   be sent the information at least a week ahead of time for

9   public notice purposes, and given the fact that you need

10   to give management enough advance time that they can get

11   comments back to you before they can be put into the Board

12   books, is there any way to establish like an absolute

13   deadline schedule by which, number one, you have to get

14   your proposed report done and to management and then an

15   absolute deadline by which they have to give you responses

16   so that we can get the most current information in our

17   Board books?

18   MR. GAINES: I think there's generally always a

19   way. And I guess what I'd like to see in this respect is,

20   in instances where there are last-minute updates or

21   changes, that I, rather than go through the cumbersome

22   process I did of manually changing them, inform management

23   that they can respond with the input they're providing me

24   to the Audit Committee, and we'll work off the information

25   that I had originally presented to Delores.

1   And, you know, when I do present that to

2   Delores, as I had previously said, I try to give

3   management a heads-up generally -- and, I believe, in this

4   case, at least a week -- to let them know, Here's where

5   I'm at, and this is where I'm going.

6   MR. DAROSS: Is it possible to get that heads-

7   up kind of notice sent earlier, or is that -- is your

8   notice dependent on getting information from management so

9   that you can give them a heads up? In other words, is

10 this a circular kind of thing?

11   MR. GAINES: It's a little circular. When I

12 request input from management, generally it's always a

13 week. Sometimes, if I have the time, it's two weeks. And

14 I guess I have the time; I just need to send out my

15 requests earlier. So the status would be a little bit

16 more outdated, but I'll allow management a week to respond

17 by my due date, at least, and sometimes two. And so I can

18 just continue to push that back up.

19   So if we're having an October meeting, I could

20 request status updates wherever that falls, in mid-

21 September or earlier, and that would maybe preclude some

22 of that.

23   I think -- I'm not sure to what extent -- when

24 management gets my heads-up memo, This is the way I

25 understand things, and this is how I'm going forward with

1 the Audit Committee, presumably that's looked at and

2 management is -- becomes satisfied with it. But at least

3 this time around, there was last-minute changes going on.

4   MR. CONINE: Ms. Stiner?

5   MS. STINER: I think I'd like to comment on

6 that. What that process needs to include, as well, is a

7 more formalized process where, even when management

8 reports back -- because I think David and I -- when we had

9 an opportunity after my being away for a week, we finally

10 got together. And executive was given an opportunity to

11 review management's responses, but there were some that we

12 didn't concur with.

13   So we need to build into that process an

14 opportunity not only for management to respond to Mr.

15 Gaines' internal audit but for -- also, for executive to

16 work with management to change any responses that we don't

17 concur with, because there were some in there that I think

18 were just simply a matter of formally implementing some

19 procedures that management said they had in place and that

20 we were going to close on a report, but that status could

21 have been improved, in my opinion, by just formalizing and

22 reducing those procedures to writing.

23   So we will work with the internal auditor to

24 build into that time frame a review process whereas

25 management and the executive office can also visit on

1 those statuses.

2 MR. GAINES: Yes, Ms. Stiner. And I agree with

3 you and all that you've said. One thing that hasn't been

4 happening very well that needs to happen is -- included in

5 my request of management to respond, I have a direction

6 that their responses are really responses on your behalf

7 and that they should obtain concurrence and allow the

8 Deputy ED the three-day turnaround time to review that

9 before the system's updated.

10 So that hasn't really been happening too well.

11 Some divisions manage to make that happen while others

12 don't.

13 MS. STINER: Well, we're going to make sure

14 that it happens real well.

15 MR. GAINES: Right. And, again, that's more at

16 the, I guess, manager and director's level, where I try to

17 allow some interface time with executive that -- I guess

18 people get in bottlenecks and bypass that particular

19 aspect of it.

20 MR. CONINE: Okay. Any other questions of Mr.

21 Gaines?

22 (Pause.)

23 MR. CONINE: We appreciate your report. And --

24 do you have one more item? Okay.

25 MR. GAINES: This isn't so much an item. I'd

1 just like to suggest -- we have an annual report that's

2 due out of our office November 1 of each year. And this

3 being August, I'd like to just suggest our next meeting be

4 in October if we can put it off to that length. Our next

5 audit to be released is probably going to be late

6 September, so I don't see that we're going to be able to

7 get that released prior to the September meeting. And

8 so --

9   MR. CONINE: All right.

10   MR. GAINES: -- if that will accommodate, then

11 we'll --

12   MR. CONINE: We'll probably concur with that.

13 And --

14   MR. GAINES: Okay.

15   MR. CONINE: You know, I, from -- I guess,

16 speaking for the rest of the Committee members, since none

17 of us knows whether we're going to be here at that time,

18 we appreciate all your efforts and work, along with the

19 staff's and the department's in general, in trying to

20 update the Audit Committee on its -- to its best and,

21 hopefully, improve the procedures that we've put in place

22 over the last couple of years.

23   MR. GAINES: I appreciate you all's input and

24 support.

25   MR. CONINE: The Audit Committee stands

1 adjourned.

2   (Whereupon, at 11:05 a.m., this Committee

3 meeting was adjourned.)

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

2

3   MEETING OF: TDHCA Audit Committee

4   LOCATION: Austin, Texas

5   DATE: August 21, 2001

6   I do hereby certify that the foregoing pages,

7   numbers 1 through 53, 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.

                                          08/29/01
        _____
        (Transcriber)   (Date)

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