TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

AUDIT COMMITTEE MEETING

State Capital Extension
Auditorium
1100 Congress
Austin, Texas

8:10 a.m.
Thursday,
August 19, 2004

COMMITTEE MEMBERS:

SHADRICK BOGANY, Chairman
PATRICK GORDON
NORBERTO SALINAS

STAFF PRESENT:

EDWINA CARRINGTON, Executive Director
DAVID GAINES
CURTIS HOWE

A G E N D A

P R O C E E D I N G S

8:10 a.m.

MR. BOGANY: I'm going to call the audit committee meeting, Thursday, August 19, at 8:10. I'm going to call this meeting to order. We are going to do roll call. Shad Bogany here. Patrick Gordon.

MR. GORDON: Here.

MR. BOGANY: Norberto Salinas.

(No response.)

MR. BOGANY: We do have a quorum, and we're going to start the meeting. Do we have any public comment?

MS. GRONECK: No, sir.

MR. BOGANY: Okay. Thank you. We have an action item, the presentation and discussion of possible approval of the minutes of the audit from the last meeting, May 12. Any questions on the audit meeting?

(No response.)

MR. BOGANY: Can I get a motion to approve the minutes from the previous meeting?

MR. GORDON: Motion.

MR. BOGANY: Second. All those in favor?

(A chorus of ayes.)

MR. BOGANY: We're going to turn it over to

David Gaines, and we'll start with Item 2, the discussion of HUD Annual Assessment for Program 2003.

MR. GAINES: Good morning, Shad, Mr. Gordon, Ms. Carrington.

MS. CARRINGTON: Good morning.

MR. GAINES: The first report item in your materials behind Tab 9 --

MR. BOGANY: David, I do not have a copy of that, but --

MS. GRONECK: I'll get you a copy. You got it on the CD.

MR. BOGANY: Let me go to the CD and I'll find it, because I left it in there. I thought I would need that.

MS. CARRINGTON: It's nine, tab 9.

MR. BOGANY: Everyone, thank you for that CD. It's great.

MS. GRONECK: You ask, and we work to comply.

MR. BOGANY: Give me just a second, David, to find it.

MR. GAINES: Yes. That's Tab 9.

MR. GORDON: Is it 9-A?

MS. CARRINGTON: Yes. Nine-A is the first item, the annual assessment.

MR. BOGANY: Before David begins, Mayor Salinas is here, so he's now present. So we have a full -- all our committee members are here.

Which tab, David?

MS. CARRINGTON: It's nine, behind the minutes.

MR. GAINES: Good morning, Mayor. This is a HUD annual assessment for the 2000 program year, 2003 program year, and it's being provided primarily for informational purposes. In addition to the HUD funding provided to the department, it also speaks of community development and grant funding, and it's provided through the Office of Rural and Community Affairs. I will not be speaking to that funding.

In summary, let me just refer you to the second paragraph under the report heading on the first page. For the record, the comment, and I quote, is, "We congratulate you on the safe accomplishments during the past year and performance in the following areas."

The report goes on to discuss performance in various programs and areas, and all conclusions relating to programs and operations of the department are considered to be acceptable. Specific comments above and beyond acceptable include such comments as, under page 3 of the report, Young v. Jackson, "The state continued to make excellent progress in this initiative during 2003."

It goes on to discuss some of the performance, and concludes with the comment that, "These actions by the state were essential in settling this long-standing lawsuit." Mayor, are you with me? It looks like you're having a hard time finding your pages.

MR. SALINAS: Page 3.

MR. GAINES: Yes, sir. I'm sorry. Under the Home Program Performance heading on the same page, it states and goes on to say, "The state's performance in its commitment of HOME funds is excellent. The expenditure rate is acceptable." It goes on to say that, "The state's performance in its reservation commitment of CHODO'S funds is excellent. The expenditure rate for these funds is also very good."

On the next page, it talks of the actions taken by the state during the 2000 program year to clear the remaining HOME program findings identified by the HUD audit in 2001. This is the audit that we've dealt with for some time now and just recently reported those issues to you as resolved.

It says, "The department continues to make appropriate changes in its operations to ensure that these types of issues will not reoccur in the future." Under the Emergency Shelter Grant heading on page 4, HUD comments that, "The state is commended for achieving the 24 month spending requirement prior to the deadline, thus ensuring its emergency shelter grant funds were used for the benefits for the homeless persons in a timely manner."

The report is concluded on page 6. The first paragraph under Conclusions: "As a result of our evaluation, we have determined that the State of Texas has carried out its programs substantially as described in its consolidated plan. The consolidated plan as implemented complies with the requirements of the Housing Community Development Act and other applicable laws and regulations, and the state has the continuing capacity to carry out its approved programs in a timely manner."

Of course, the conclusion says that all, but I wanted to highlight those positive aspects of the report.

MR. BOGANY: Any questions regarding that report item?

(No response.)

MR. GAINES: The next agenda item, Tab 9-B -- this is a state auditor report on state entity compliance with benefits proportional by fund requirements. That's a mouthful, and basically, the purpose of this review was to assess whether state agencies complied with very specific requirements relating to payroll, salaries, wages and benefits, and that benefits were proportional to the sources of funds used to fund the salaries to ensure that general revenue is used appropriately, that state agencies refrain from using general revenue to pay benefits associated with salaries and wages funded by other funding sources, and that agencies submitted the proper portionality reports demonstrating that benefits were proportional to salaries by the source of funding of those salaries.

No exceptions were noted as they relate to the department; however, the department was used as an example of how the current requirements may have unintended consequences. These concerns were addressed as the requirements that the department and other state agencies have to comply with, as opposed to being directed to the department.

I just wanted to point that out to you, because the agency is specifically mentioned. Again, in summary, there were no exceptions to the department, and I can elaborate further on that if you'd care for me to.

MR. BOGANY: Any questions?

(No response.)

MR. GAINES: Moving right along, Item 9-C.

This is a report documenting the results of an audit conducted by the comptroller's claims division of certain payroll, purchase and travel transactions of the department. The purpose of the audit was to determine compliance with certain state laws and regulations concerning the expenditures of funds and the processing requirements of the uniform statewide accounting system and the statewide payroll system.

While the auditors attributed to the departments overall, overall high performance, the staff's attention to detail and knowledge of the rules and laws governing expenditures, and commended the department on the implementation of internal control issues, the auditors did identify a few monetary errors within purchases and payroll samples.

Audit findings related to two instances of underpayment of benefit replacement pay to employees were noted. There were ten instances of incorrect longevity payment amounts. Payments past the prompt payment deadlines resulted in the department making $1,946 in interest expense payments during the period. This is interest expense attributable to late payments.

There were two payments that were not properly scheduled, which basically means in those instances we paid them too early. What the requirements are, is pay them as late as possible but not too late. If you pay it any earlier than as late as possible, you're losing a lot of interest income, and if you pay it too late, it costs you interest expense.

That's a fine line the department is walking, and these were several instances out of a large population of disbursements.

MR. BOGANY: So we only had a few out of a large population. Is there a way to -- or do we need or are we doing -- it seems like we're doing a good job in paying them, but is there such a thing as putting a schedule together that we pay -- or is there really no need? Is there just a couple of instances that just didn't make it?

MR. GAINES: I believe, based on the overall results, that these were probably isolated instances in a very large population. The sample size of the auditors, I'm not sure of. They did not consider it warranted to project their rate to the total population, and they go on to say later in their report that they were very satisfied with the department's responsiveness, and that many of the monetary errors had been corrected prior to the conclusion of field work.

MR. BOGANY: Okay. Thank you.

MR. GAINES: The department was in general agreement with the issues noted and it related corrective action plans, had positive responses to each of the corrective actions. The auditors commended the department on, again, satisfactorily resolving most of the monetary issues during the course of the audit and for the improvements that have been made since the last audit.

These materials to you in your package include the audit, the management's response to the corrective actions planned, and the issues that are not reported by management as being resolved in the report will be carried forward to you in future prior audit issue reports until they're satisfactorily resolved.

I believe at this time, all issues noted have been resolved, with the exception of two of the under/over payments that we're having a hard time tracking down the past employees to make that settlement. Any questions relating to this audit?

(No response.)

MR. GAINES: Okay. If you will, let's turn to the next agenda item, Item 59 -- excuse me -- Item 5 on the audit agenda. However, it's 9-D in your report package. This is the Status of Prior Audit Issues, and I believe this is the fewest prior audit issues that have ever been brought to your attention.

Excluding any issues that may result from the reports you were just briefed on, there are six issues that have not been cleared by either external auditors or monitors, or have not been reported by management as cleared. There are six in this report to you. Two of these issues are basically the same, which in essence means that there are really five outstanding issues.

The issues that are saying -- if you'll note Issue Reference 187, the first issue on page one of three, it basically says, This is the same issue as Issue Reference 335. That's included on the third page of your report.

I've decided that it might be best or most appropriate just to discuss and track this issue in connection with Issue Reference 335, and I've dropped this from future reports to avoid the redundancy. It will be, again, tracked and discussed in connection with 335 until it's resolved, and we'll discuss it this morning in connection with Issue 335.

The next issue, Issue Reference 268 on page one -- this resulted from a single audit in the 2001 fiscal year. Please, if you will, note the status code columns to the right of the page. You will see a "IXX" with "February 2003." It's like the sixth line down in the status code column.

This represents KPMG clearing the issue in their subsequent year's audit. KPMG concluded that the conditions that caused this finding had been corrected; however, the department is still working with HUD to provide satisfaction that adequate processes were in place to support --

This is the soft cost issue to support soft costs for the period of KMPG's audit. So while the conditions that caused the concern have been resolved according to KPMG, HUD is still concerned about the period of the audit and the consequences of not having those procedures in place at that time.

To gain that satisfaction, HUD in a letter dated May 3, 2004, has asked the department to provide the number of contracts that included soft costs during the 1999, 2000, and 2001 fiscal years, and the number of projects that included soft costs that were monitored by the department that contained sufficient documentation supporting those soft costs.

That was in a May letter from HUD. In July, the department responded and provided to HUD the information requested, as well as documentation supporting 16 subrecipients, including the support documentation of the five subrecipients that were the original source of the issue identified by KPMG.

KPMG's finding resulted from five sub-recipients that they did not believe had sufficient supporting documentation. In addition to the materials provided to HUD, we provided documentation for those five subrecipients. We are waiting for HUD's response to that. The most recent letter from HUD in May and our response in July follow this summary report and are provided just for your convenience and your leisure reading, should you be interested.

Again, the department believes that the information provided will satisfactorily resolve this issue, but again, we are waiting to hear back from HUD. The next issue, Issue Reference 269 on page two of three --

MR. GORDON: I have one question on that.

MR. GAINES: Yes.

MR. GORDON: So it's all in their court right now? There's nothing -- we're just waiting on the HUD?

MR. GAINES: Yes, sir. That's correct.

MR. GORDON: Okay. Thanks.

MR. GAINES: This next issue on 269 resulted from the same audit conducted by KPMG for the 2001 fiscal year. Again, note that they had considered the issue resolved as indicated by the "IXX" in the status code column dated February, 2003. Like the prior issue we just discussed, the department is in the process of clearing this issue with HUD and has provided them information they believe will resolve this issue, and again, like the previous one, we are waiting for HUD to hear from the results of that last communique, 2000 [phonetic].

Issue Reference 330 on page two of three relates to management information needs of the housing tax credit program, especially as it relates to construction monitoring function, which was the focus of this audit at the time. From management's implemented internal spreadsheets, which provide for what they believe to be an adequate stopgap measure, long-term plans include the design and development of a module in connection with the central database project to accommodate these information needs, provide status tracking and reporting needs to serve management of the construction inspection function of the department.

Due to concurrent work activities of staff assigned to the central database, the anticipated completion date is currently expected to be August, 2007. This is something we can discuss further in connection with the central database. We'll go through the timelines we have established. We recently reprioritized the work based on the users' expressed needs and preferences.

In redefining that scope, we've added some work to the central database project. We've also dropped some work, and we'll discuss that in greater detail under that agenda item.

MR. BOGANY: I have a question, David.

MR. GAINES: Yes, sir.

MR. BOGANY: What I was reading is, we're saying that we're not there yet and it'd be 2007 before we get there.

MR. GAINES: According to what's been reported, we have stopgap measures that are being served by spreadsheets that are accumulating the necessary information for management to operate, and really, if in fact that works for management, I would consider that an adequate resolution of this particular issue.

There are long-term plans to automate this within the central database, and we are saying those plans would extend to August, 2007, at this time.

MR. GORDON: What are the stopgap measures that -- you say you've taken some measures that are going to satisfy HUD until 2007.

MR. GAINES: Well, this is not really a HUD issue. It's more of an informational needs issue for management to have the data they need to conduct their operations, and they believe they satisfied those needs by developing spreadsheets, if you will -- I suspect Excel spreadsheets that accumulate this data necessary for them to effectively operate.

The real issue is having the data, not how is it accumulated, and not which system it is. Again, the long-term plan is they hope to go ahead and incorporate that in the central database.

MR. BOGANY: I have a question for Ms. Carrington. So is the spreadsheet program working? It seems like it would be so much more efficient to be automated, but is the spreadsheet program working?

MS. CARRINGTON: It's really a combination of several spreadsheets and some access databases. Right now, yes, it is working to satisfy the needs internally for information. I think as Mr. Gaines has said, we've had to take a look. We've basically had to prioritize, and with the workload just of the everyday work that we do in this agency, it has been very difficult to prioritize this multi-family module.

So what the multi-family area has been doing is creating various kinds of data information gathering and tracking and created them, basically, that satisfy their needs and then satisfy the needs when we have requests externally, which of course we do on a regular basis, of how many units and how many developers and a variety of different kinds of information requests.

So it's working now. The ideal is that, yes, we will get it incorporated into the central database.

MR. GAINES: I'd like to suggest in this respect is between now and the next time we visit, that I get with management and confirm that the stopgap measure really addresses the issue and separates that from the long-term plans of the central database. By doing that, we can consider the issue implemented if, in fact, the systems are in place.

The issues are not so much which system --

MS. CARRINGTON: Right. But is there one?

MR. GAINES: Is there one.

MR. BOGANY: Okay. And you'll be able to do that by next --

MR. GAINES: I'll make a point of working through management with that by the next time we get together.

MR. BOGANY: Okay.

MR. GAINES: Next is Issue Reference 335 on page three. This is the Section Eight issue regarding the family self-sufficiency program. At the last meeting, you might recall Eddie Fariss, director of the community affairs program, provided an overview of the department's plan for the family self-sufficiency program.

Management reports that progress is being made in alignment with those plans' time frames. One of the significant relevant considerations regarding this issue is whether the department is going to release Brazoria County from its local operating contracts with the department and relinquish the related Section 8 vouchers to Brazoria County to administer as the public housing authority in contract with HUD.

I believe this exception is planned for the programs committee later this morning.

MR. BOGANY: So if we did release them, this would no longer be an issue for us anymore.

MR. GAINES: I believe there might be some remnants of the issue, if I'm not mistaken, and Eddie Fariss might be able to help me out, but I believe Brazoria County is a component of the whole, and so those areas outside Brazoria County there may be some remaining obligations of the department to satisfy family self-sufficiency plans.

I would suspect at that time we would reassess, because there are exemptions in cases where there is not adequate capacity to deliver that program.

MR. GORDON: But if we get rid of the program, then I guess --

MR. GAINES: I'm referring to the family self-sufficiency program that was under Section 8.

MR. GORDON: Okay.

MR. BOGANY: I guess my question is -- and I may have asked this at the last audit committee -- why is it taking to March 31, 2005, to fix this problem?

MR. GAINES: There was quite a bit of coordination necessary with HUD, with local providers, and I believe it was in audit committee -- it might have been programs committee -- in May where Eddie described the logistics involved in delivering this program.

MR. BOGANY: Yes. I do remember him talking about that. Yes.

MS. CARRINGTON: It's basically a series of steps that must be gone through, so it's not really a delay until March of next year. It's a series of activities and steps that are being accomplished that take it out to March of '05.

MR. BOGANY: Okay.

MR. GAINES: The final issue is Issue Reference 342, price rate report. This relates to the department's efforts in negotiating an indirect cost rate with the federal government and obtaining approval of a rate they had previously been using that was out of date. The department had been using this rate in accordance with agreement with the designated coordinating or cognizant agency, as they're called.

However, the department's relationship with that federal agency had ceased and we continued to use the rate. So in summary, the department is attempting to obtain approval of a new rate and approval of the prior rate it had been using that was not effective. While the department's progress is contingent in part upon the responsiveness of the related federal agencies involved, it hopes to have this issue cleared by the end of September. Any questions on this portion of the Status of Prior Audit Issue Report issues?

MS. CARRINGTON: Mr. Chair, if I might.

MR. BOGANY: Yes.

MS. CARRINGTON: I'd like to thank David Gaines and Kelly Crawford and Ruth Cedillo and the directors that have worked very long and very hard. Mr. Bogany and Mayor, I think you all probably remember that when we started reporting these audit findings when I came to the agency two and one-half years ago, we had -- I don't know -- 12 or 18 pages, I think.

MR. BOGANY: It was quite a few.

MS. CARRINGTON: So there were quite a few of them, and it has taken certainly a length of time to get these audit issues resolved, but I'd like to congratulate everybody who's worked on doing that, and also I believe that what we are doing is putting systems in place so that we won't have repeat kinds of findings on these audit items.

MR. BOGANY: David, I just really thank you guys of the staff, and the staff has done a super job, because I remember sitting here trying to keep my eyes open because we were going through so many of these. I didn't think we'd ever get an end, but it seems that you're right. This is the fewest that I've ever seen on here, and I agree with Ms. Carrington to what the staff has done and what you have done.

I guess you've taken a direction that from a board's side, we just want to get them completed and finished, see some light at the tunnel. I can surely say there's some light at the tunnel.

MR. GAINES: Well, thank you both on behalf of management and staff as well as myself. Following that three-page report are the two letters from HUD that I referred to, their most recent letter to us, and our response, just for your convenience. Following that is another Summary Report of Prior Audit Issues.

The bad news is that this is a 29 page report. The good news is that this provides a summary of 40 audit issues that had been reported as resolved during the last year. During this fiscal year, this represents the issues that have been reported as implemented, and this is being provided to you to give you a bird's eye view of management and staff's accomplishments over the last year, and it dovetails right into your previous comments. Any questions on prior audit issues?

(No response.)

MR. GAINES: In that case, let's turn to item 9-E, the Status of Internal-External Audits. You'll notice the first three rows of this report relate to the audits and reviews we just discussed earlier in the agenda, and these are being reported as completed. These are the prior report items we just went through.

The next three rows, beginning with the state auditor's office, are just beginning. So starting with row 4, the state auditor's office and the next two rows are audits that are really in the early stages. The SAO audit is an audit of the Home and Housing Trust Fund programs.

The audit objectives are determining whether the department has a process in place to deliver housing services to the neediest parts of the state, whether the department objectively awards contracts, effectively monitors contracts, ensures funds are disbursed in a timely manner, and whether the department has used appropriations for these programs in accordance with the limitations and directions imposed by federal and state law and department policy.

Initially, they said they wanted to begin this audit in early June, and in coordination with the executives, Internal Audit Division worked with the SAO to delay the start of this audit until after the July board meeting and the related award cycle. As a strategy to encourage auditors to accommodate our request to delay the audit, the department offered to compile information on its business processes that are used to accomplish the objectives that were subject to their audit.

Internal audit worked with executive department and management and staff. We all worked very hard in compiling by audit objectives, relevant information as to how the department accomplishes those objectives. This was to provide the auditors a basis for their understanding, which is necessary in order for them to assess risk and plan their audit around that risk.

The information was compiled and accompanied by an executive summary for each of the audit objectives. This information has been provided to the auditors, and they are currently in the process of going through that information and getting back with management and staff with follow-up questions -- I'm sure questions for information we did not consider or factor in because for the most part, we are doing our best guess on what would be of interest to them.

I feel like we've done pretty well. They have expressed a couple of times their appreciation for the materials. As this audit progresses, you'll periodically be briefed on the status of the project -- is an annual audit of the department that the department has on its annual financial statements and on the revenue bond enterprise fund statements.

They've recently completed their interim testing, and they'll be back in the fall to conclude their audit. I believe they -- and this is something Bill can help me with -- they are planning to have this audit completed near the end of November. Again, we'll brief you as that audit progresses.

Next, you'll note KPMG is listed as the auditors in contract with SAO to conduct the statewide single audit work at the department. Since this status report, the SAO has decided that they would do this work since they will be here anyway on the housing audit that we just spoke of.

Currently, their single audit work is limited to the Section 8 program. They will do the work, provide the results to KPMG for inclusion in the statewide report, which will be considering all federal funds of the state. The financial portion of this report will be completed by February, 2004, and the compliance and control reports related to that are generally released a month or two later.

Second to the last, the State Energy Conservation Office, SECO, recently had an on-site program monitoring review to determine the department's effectiveness in accomplishing the SECO objectives of the contract and whether the department had been adequately administering the contract.

SECO, again, the State Emergency Conservation Office, provides incremental funding to selected projects through competitive grants for energy efficiency measures and requires a dollar for dollar match. The review is currently in the reporting stage, and it is expected that the results of that review will be brought to you the next time we get together.

The last one on the first page relates to a recent assessment of the manufactured housing division in its capacity as a state administrating agency acting on HUD's behalf in regulating manufacturers of manufactured homes in Texas. While this might be more appropriate going to the board of the manufactured housing division, I just wanted you to be aware of the review.

In summary, the review did result in some recommendations. The overall conclusion was that the department is effective in carrying out the plan and administering on behalf of HUD. The manufactured housing division was receptive to the recommendations and has responded that it will take appropriate corrective actions.

The first page of this two-page report relates to external audits and reviews, and the second page relates to internal audit projects. The first project listed on the second page is an audit of the department's subrecipient monitoring function. Because of the size of this project, we've broken it down into the manageable pieces you see in front of you, the pieces being the draw process, the single audit process, risk assessment, field visits, technical assistance and desk reviews.

You'll note that several of these areas are in the reporting stage at this time. We hope to have the reports on these areas released by the time we next report to you, to get them back in October as I'm currently planning, so we hope to have those released by that time.

The big areas remaining on the project relate to completing the review of the draw process and field visits. While we've already spent considerable time on the draw process, we still have significant work left to conclude that work and to report on the results of that work, and we've barely scratched the surface of the work necessary for the field visits phase of this review.

It should also be noted that this work relates to the Home and Housing Trust Fund programs. Similar work needs to be considered for the programs administered by the Community Affairs Division and Office of Funding Initiatives. I have a comprehensive overview of the department's subrecipient monitoring functions.

We currently expect that work to be included in the next year's auto [phonetic] work plan; however, it will be prioritized with other possible work resulting from internal audit's annual risk assessment process and private planning process. As we work through that risk assessment and develop a plan, we'll come back with you, with that work and our plan for the coming year for your contributions to or agreement with.

The remaining areas listed relate to ongoing activities, the development audit plan that I just spoke of. There's an internal auditing report that's required, which basically summarizes our activities for the years. Both of these documents are due by November 1 of each year. We'll be bringing those to you in February.

You'll also note that the peer review work that we'd planned for this year never materialized. We partnership with the state agency internal audit forum, to have quality assurance reviews performed on the department's internal audit function at no expense to the department, other than in return, we contribute hours and participate on peer reviews of other state agencies' internal audit shops.

Although we owe hours to this process, we were not called on to deliver these services this year as we had expected to be. Any questions relating to peer review, internal audit and external audit, or the status of the division?

(No response.)

MR. GAINES: Our final agenda item, in that case, will be the status of the central database, and if you'll turn to the materials behind Tab 9-F on your agenda, I'd like to start out by discussing the status being performed since the last time the committee was briefed in May and then focus our discussion on significant changes to the project since the last time we met.

Then I'd like to discuss priorities that have been established and the remaining work to be performed. In discussing priorities, some work has been added to the project, and other work has been dropped. After we discuss work in progress, priorities and changes in the scope of the project, I'd like to discuss some of the more significant challenges facing the project and conclude with a brief discussion of the status of funds available for this project.

If you'll turn to the first page in the materials, called Summary of Project Plan Status, the first four lines of the Summary of Project Plan CMTS, Enhancements Contracted Services, that's the contract management tracking system, CMTS, relate to contract services that were provided by Aimes or more specifically Rush Walsh -- you may recognize that name.

Since the date of this report, this work has been completed; however, I'd like to touch on some of the highlights relating to this work. Row 2 represents the services from Hansen, the automated testing designed for the affordable housing disposition program, the home housing tax credit and housing trust fund programs, multi-family bonds and related 8823 reporting power.

That is the housing tax credit obligation. The CMTS reports on Row 3 relate to services complete, analysis and design of reporting used to facilitate report generation for operating and reporting purposes. This work had just begun the last report to you, and as you see, it's now being reported as complete.

I want to emphasize here that complete means that the report reviews, the design of those reviews, have been delivered by the consultant. The actual development of those plans, designs if you will, will be performed by the department's technical team and they currently have -- the department's technical team currently plans to have time estimates for this development work by the end of the month.

So we've received the plan or the design, if you will, from the consultant as we contracted with him. The next step is costing it out, how long it will take to develop it and apply resources to that. Future reports going forward include line item to report the status of progress made in developing and delivering these reporting views to the business users.

The technical knowledge transfer work reported on Line 5 reflects the status of the work of the department's technical team, the work that they did with the consultant to ensure that they had an adequate knowledge and understanding of the system prior to his departure. You may recall at the May meeting, there was some discussion and strong encouragement to consider extending the consultant's contract to enable him to work with the multifamily staff in finalizing and confirming those multifamily requirements.

The department thoroughly considered the pros and cons of that and actually decided that it would be in the department's best interest to proceed and extend that contract. The contractor ended up accepting another engagement, and it turned out that the department is not able to extend that contract. I'll discuss that in connection with the multifamily module that we'll discuss momentarily.

MR. BOGANY: So what are we doing at this point?

MR. GAINES: Well, in regard to that and --

MR. BOGANY: Is that why we're delaying it till he gets through with his other contract and then bringing him back, or are we going after --

MR. GAINES: No. Again, I'll touch on that, but briefly, the reason the multifamily module has been delayed is because of the availability, or maybe lack of availability is a better word, of the business users that need to confirm the design of the multifamily module.

We've developed the requirements. Those requirements need to be reviewed and the design confirmed by the users, where they say, Yes, this is what we want and this is what we need. At that point in time, the development will begin. This has been delayed primarily due to the award cycles and the availability of staff preparing the draft of the qualified application plan for various reasons -- that's various business reasons have delayed this work.

MR. BOGANY: Okay. And I guess, Ms.

Carrington, once we finish the QAP and getting everything done, then we'll turn our focus back to this?

MS. CARRINGTON: I think we've pushed this out to 2007. I believe it's the date that we're looking at for this, David. Isn't that correct? I mean, I think what we're going to continue to do, Mr. Bogany, is evaluate what's been developed internally that we're using in-house, and if we have some systems that we have developed that work to provide information sharing inside the agency and outside, then it may not be a module that we do.

If we don't need to do it, we're not going to do it, but that is something that we will be continuing to evaluate and determine how effectively the systems that we have now are being able to satisfy our data and information needs.

MR. BOGANY: I just have a quick question. Why -- it just seems like if we had more staff or more money allocated toward this, we could get this completed much quicker. It just seems like you've got staff being double-burdened with everything that's there. Why can't we bring somebody in on the outside on a temporary basis just to work on this and get this finished?

MS. CARRINGTON: Well, I believe that's what we had in our contractor, and Mr. Gaines, you may want to address that. I mean, we have had our contractor on for about a year and a half. Somebody kind of shake their head back there and let me know.

MR. HOWE: -- about a year.

MS. CARRINGTON: Okay.

MR. BOGANY: Could we not bring somebody else on to pick up where he is, or is it best to use the guy who helped develop --

MS. CARRINGTON: Curtis?

MR. HOWE: Curtis Howe, director of information systems. At this point, we performed the technical knowledge transfer from the consultant over to the design team, and we're pretty much ready to conduct the final reviews of the multifamily module design, and we have been working with multifamily production division staff.

What's really needed is their time to be able to sit down and go through -- this is a very lengthy document. It's about a 270 page design specification with about 100 screens. We really don't want to build all of that if that's not what they really need to conduct their business, so we really need to get them to the table and go through.

They're just completed with their major award cycle, and we will be scheduling those meetings. Right now, we're projecting end of October to have that design specification completed. Then, as Ms. Carrington was saying, during those meetings, I think we'll assess whether they need the whole module as currently designed or a smaller, sort of reduced implementation of that module, or whether it's needed at all or whether CMTS will continue to handle their business needs along with the spreadsheets they developed.

MR. BOGANY: So you feel by October, we should have gone through that major phase for them sitting down, because it seems like to me, they're constantly busy, so I don't -- you know, is October a good time frame that we can say that this will be, at least that part, completed?

MR. HOWE: I feel real confident of that. I've met with Brooke Boston and Tom Gouris, and along with those two areas, real estate analysis and multifamily, the compliance division is represented by James Rutherford. We've addressed -- instead of trying to bring all of their staff into these meetings, they've assigned contact people from each area, so we're going to have more focused meetings.

I feel real confident that we can complete the analysis of this lengthy design specification by the end of October. Then the date that we have of August 31, 2006, for completion of the multifamily module, we'll be able to tell you for sure if that's a good date to go live.

MR. BOGANY: By the end of October.

MR. HOWE: By the end of October. Yes, sir.

MS. CARRINGTON: I think if I might comment, what we really want to make sure that we do is not design something that the users can't utilize, which as Mr. Howe is saying, they absolutely must sit down and look at all of these design specifications. Then we may make a determination that we need part of it, all of it, or perhaps not any of it at all.

We certainly don't want to design something that we don't need. We can put those resources someplace else.

MR. HOWE: One more thing Mr. Dally was reminding me of to mention is the last part of Mr. Gaines' report is on the remaining status of funds, and we are planning to bring in contract programmers to enhance our ability to deliver the module once we have completion of the specifications.

MR. BOGANY: Okay. So we are going to bring in some people, and we have funds available to do that --

MR. HOWE: Yes, sir.

MR. BOGANY: -- you have a question?

MS. CARRINGTON: No.

MR. BOGANY: Patrick?

MR. GORDON: No.

MR. BOGANY: Thank you.

MR. GAINES: I'll try not to repeat too much of that as I proceed through the comments, but we've pretty much talked about the status of the multifamily module. It is, as both Ms. Carrington and Curtis said, important to confirm that work with the users, because in addition to the 270 pages and over 100 screens of design work that we currently have, preliminary estimates based on that are over 4300 hours to develop that, and with that number of hours and other concurrent work activities going on, is what pushes this time line out a considerable length of time.

With multifamily module behind us, I'd like to discuss other work that's in progress. I'd like to turn actually to the priorities that have been established for the remaining work. There were a couple of central database steering committee meetings in July and August where priorities of remaining work was established and where the scope of the project was redefined.

The results of these meetings added some work and dropped other work from the scope of the project. At the July meeting, the committee prioritized the program monitoring module for development that you see on Line 6. This module will provide the portfolio management staff with a system to track program monitoring, facilitate risk assessment, scheduling and review function, as well as accommodate the tracking and reporting needs associated with the single audit function.

The design work for this has been completed and confirmed by the users as is reported on Line 7, Program Monitoring Specifications. Based on that design work, the technical team estimates that it's going to take 1675 hours to develop this. These hours are all-inclusive of all necessary work, with the exception of developing the end-user documentation and training.

Strategies to address these needs will be developed as user documentation and training needs approach. This work is scheduled to begin this month and is estimated to extend through 2005, in part because the work performed on this module will be performed concurrently with work being performed on the multifamily module. Any questions relating to the program monitoring module?

(No response.)

MR. GAINES: Let me turn your attention to the contract system phase two work reported on Line 17. Prior to the contract system rollout in December of '03, which you may recall, the project team with the consensus of the steering committee, decided in March of 2003 to scale back some of the planned functionality of the contract system to allow for timely implementation of that module.

While the functionality was dropped from the initial release of the contract system, it was important, but while important, it was not critical to release of the system. In July, 2004, or just several weeks ago, the steering committee approved that the technical team should move forward with this postponed functionality, which includes contracting activity amendments, contract schedules and document tracking.

The information services division has not yet performed a revised time estimate for this work. Accordingly, the project date of 8/31/05 is very preliminary and tentative until they revise those estimates. Work will be, again, performed concurrently with the program monitoring module and the multifamily module.

So this concurrent work is one of the reasons these timelines are extended as they are. Any questions relating to the contract system phase 2?

(No response.)

MR. GAINES: Let's go to Line 19. This is the application of construction module. This was the last major phase of the work currently planned for the central database and establishing those priorities. This kind of came up at the bottom of the list, and this is what we were referring to earlier, that one particular audit issue, the information system being delayed to the extent it is.

This module will provide the ability -- first off, it's an application and construction module, and so it will provide the ability to create and store applications, application guidelines, threshold information, scoring criteria and templates to be used in the application scoring process.

The system will allow the applicant to enter and submit their application data online and submit any supporting documentation that's required with those applications to -- become hard copy. To the online entry with necessary hard copies when necessary. When possible -- possible is not a good word -- when preferable, would be better -- automated scoring will be invoked, but regardless, all scoring will be performed in the system and summarized automatically.

This module will also help coordinate and manage the construction monitoring activities. The system will provide the ability to capture pertinent information regarding construction monitoring activities and consolidate the results of different monitoring activities of an entity in a common location for planning, operational risk assessment and reporting purposes.

As previously mentioned, this work will not begin until September, '05, and extend through August, '07. Are there any questions on this module?

(No response.)

Next, you'll notice a listing of modules that have been removed from the central database. This occurred in early August as we were prioritizing the remaining work to be done and redefining the scope of the project. The steering committee members and various business team representatives discussed the need for each module and whether those needs could be or are adequately addressed by some other means.

Any of the fund functionality that again could be or is already being satisfied by alternative means were removed from the scope of the project. It was emphasized during these meetings that removing a module from the scope did not necessarily mean there wasn't any necessary development work to be performed, but that it would just all be considered within the scope of this project at the present time.

Accordingly, any future expansion of the project to address this work would require approval as any other development work requires. It would go through the department's process whereby user needs are presented to a group of staff designated to prioritize projects, approve projects or not.

Some of the reasons for dropping these modules is lack of an identified agencywide crosscutting information need, lack of a resounding need expressed by the business team and users, existing systems that adequately accommodate the business users' needs, or maybe substantially all the data of a particular module is already in the system and capturing most of the data relating to that module, and that the remaining needs could be satisfied with an extension or enhancement to existing modules.

MR. BOGANY: So are the modules that we're removing -- I'm under the impression that if those were in place, the staff could work easier, or they have other things that are in place that they feel more comfortable using.

MR. GAINES: If I understood your question, yes, they would like these, but there's not a demanding need whereby we cannot operate going forward.

MR. BOGANY: I still don't understand that.

MR. GAINES: Okay. Let me make sure I understood your question.

MS. CARRINGTON: It'd be one of those nice to have things, but it's not harming us. It's not hampering us from doing our business and having the necessary data and information and being able to share it within the agency.

MR. BOGANY: It seems like to me a credit underwriting module would be a great help, or a finance module to me would seem like it would be a great help, looking from the outside in.

MR. GAINES: I believe underwriting believes that, too; however, underwriting has systems and processes that do work for them at this time.

MS. CARRINGTON: They've developed themselves that they've done internally, basically homegrown, home-done, that satisfy their needs.

MR. GAINES: One of the original intents of the project was to accumulate data necessary for cross-divisional reporting needs, for agencywide reporting needs, so a lot of the things that are being dropped relate to something that underwriting needs or asset management needs. Those cross-cutting reporting informational needs we felt like to the extent that they existed -- in instances we had a hard time identifying them, but to the extent they do exist and are needed in the future, we figure we have alternative means to accumulate that information.

MR. BOGANY: Thank you.

MR. GAINES: For each of the modules listed that we're dropping off, there is a corresponding note, following the summary that explains the thought process and rationale for removing the module. They're referenced by line item number. While those reasons are provided there, I believe the important consideration to keep in mind is that these decisions were made by the business users, those that represented the directors. The directors were informed of them.

Again, if at some point, we want to discuss the particulars, we've tried to summarize those reasons in your materials. That's the summary report, and if there are no questions on that, I'd like to turn you past page to the next piece of information. It's called Central Database Project Issues Risk Management. This is a summary of the issues and risks that have been prioritized for resolution.

What we've done is established somewhat of an informal team to seek out, identify and attempt to resolve issues of risk facing the central database project that are not otherwise being resolved by the teams that are in place. As the issues are identified, they are prioritized based on the potential adverse effect on the success of the project or on the department.

For each prioritized issue, the team attempts to identify the appropriate issue owner and issue manager, informs them of the issue and solicits their concurrence that they're the proper owners and managers. The issue owner is the individual responsible for resolving the issue or risk and identifying and supporting the issue manager, while the issue manager is the individual assigned the responsibility to develop a plan, to manage the task and resources necessary to resolve the issue.

While various levels of plans have been developed to address these issues and different tasks have been performed in resolution of these issues, please note in the status column there that these issues are still in the planning stage. It proves to be very difficult getting out of the planning stage for several reasons. The most significant is the lack of identifiable resources employees to take the lead and to staff a project. While leads have either emerged or have been assigned to most of these issues, they have not on all the issues.

Even if a lead is identified, it's very difficult to get employees committed to staff the project and to resolve the issue. Volunteers are solicited. When they do not materialize, staff considered appropriate to perform the task may be assigned. However, their supervisors and directors often have other plans for them.

Accordingly, meaningful progress in a timely fashion is difficult at best and, at times, I'd say nonexistent. These can be very complex issues and as a control to ensure plans are adequate to resolve the issue before major resources are committed, the issue owners and the issue managers are asked to obtain approval of the plan from the issue owners in coordination with key stakeholders and subject matter experts.

The issue owners do not necessarily see the issue as one of their priorities, so accordingly, approval of the plans may stay in limbo and not move forward in a timely fashion. I believe to effectively move forward on these issues, the issue owners need to assume responsibility for the issue, recognize it as a priority, consider it part of their job expectations and work with the issue manager supporting them in their resource needs, including working with other directors to secure the proper resources.

In instances where there is disagreement as to whom the issue owner should be, and in those instances where it's not even real obvious who the issue owner should be, an executive needs to be informed of such and ownership assigned. Short of that, I believe we'll continue working and dealing and moving forward on these issues as time permits.

MR. BOGANY: So, David, just -- I've read this and looked at this about the issue management, so I guess what I'm looking for and I think the committee is probably looking for is how do we bring this to a conclusion from a point of these are what we think is going on, why we can't move forward on this. So what is the solution?

MR. GAINES: Probably the solution is a concurrence on the issue owners. When we inform issue owners that they're the owners, I maybe erroneously assume that they accept that they're the appropriate person; however, I'm not real sure they are necessarily accepting the associated responsibilities.

MR. BOGANY: So how do we move to that, where they say, Yes, this is mine; I'm going to get this finished?

MR. GAINES: I believe it's an expectation that has to be established and considered part of their job dimensions, job responsibility, job description.

MR. BOGANY: Is that something --

MR. GORDON: Who does that?

MS. CARRINGTON: Ultimately, the responsibility is mine, and I think what this requires is a regular reminder to staff that this is a priority of our agency, the modules that we have identified and the issues that have been identified are a priority to the agency, and that yes, we understand that folks have a lot of other work to do, but that this is part of the work also.

MR. BOGANY: Can we tie this to job performance and salary and raises and things of that nature that this is part of your job status and performance?

MS. CARRINGTON: Yes, sir.

MR. BOGANY: And measure that in.

MR. GAINES: I think it's real important -- I think what you're suggesting is important, but just as important is to make sure that the issues that are being identified are the most significant, and that's why these meetings where there's a discussion of issues, Well, let's prioritize these. What is the potential adverse impact?

That prioritization process is real important, too, so we don't start pursuing issues that aren't entirely necessary. Again, we do that based on people that basically show up at these meetings.

MR. BOGANY: Are they not showing up at the meetings?

MR. GAINES: No. Well, those that are most interested are, and others that have other priorities are not.

MR. BOGANY: So, Ms. Carrington, how do we bring this -- they show up to the meetings, the ones that have --

MR. GAINES: If I may, Mr. Bogany, I believe the issues that are surfacing are important, and I believe due to the lack of people objecting to those issues, that there's general agreement that we are identifying the right issues. So I'm not real sure that's significant. I just want to emphasize the importance of it, and to the extent an issue surfaces, and the issue owner acknowledges the responsibility as they begin to research it and identify strategies to resolve the issue, presumably they would get back with us to the extent it turns out not to be that important.

Again, I think it's clearly defined expectations, and by doing that, sure, it's a priority, but there are multiple priorities. But by it being a priority, it'll get on people's radar screens and as long as continual progress is being made -- that's what I'm fearful of, that it gets put on the back burner and not touched for days to weeks at a time.

MR. BOGANY: And then we're doing things in August 7, 2007, and things of that nature. How do we get this to the point, Ms. Carrington, that this is a priority? I guess what I'm hoping -- and I think the committee is to see progress -- and I know you've got to multi-task to do these things, and I guess I'm looking for something I can put my hands on and say to Audit, We've reached this conclusion. The issue managers have taken control. How do we get to that?

I'm looking for something to measure, and I just haven't heard it yet.

MS. CARRINGTON: It's a project that's never going to be done.

MR. BOGANY: Okay.

MS. CARRINGTON: Let me say that first. It's something that we can continually work on. I think that David is right, in that if there are no objections on the issues, that we have identified the right issues, and I think it truly, Mr. Bogany, is a continual reminder to staff that this is an important component of what's going on at TDHCA. That's the way it moves ahead.

MR. BOGANY: Okay. Patrick?

MR. GORDON: While I agree that this may be a project that's never going to end, I do think that we have to put some stakes in the ground and finish some of these modules. I mean, when you hear people aren't showing up for meetings, how do you know that you're getting the right input whether or not these modules should be taken off or left?

Then the other concern I have is Issue Number One where we still haven't entered any data, and I know we've been busy since May, but unless we put a stake in the ground and start getting the data input, you can design as many modules as you want. They're just not going to be used.

MR. GAINES: I'd like to first point out where modules are being added and deleted, there is full participation in that.

MR. GORDON: Okay.

MS. CARRINGTON: The decisions were made --

MR. GAINES: It's just certain meetings and the issue meetings we have are those that have been most involved with the projects. They're the ones that are identifying the issues. They're the ones that are feeling the pain of the impact of those issues. I believe with concurrence of the issue owners and managers, there are expectations in our charter that define management of those issues, i.e., meaning you've got to develop a plan.

The plan has to identify the resources and the tasks necessary to accomplish those tasks. It has target dates for completion and those plans in themselves are a means of measurement. Who is going to do what by when is, I believe, a phrase that Ms. Carrington used one time, and I appreciated because that sums it up real easy. Excuse me. That was Ms. Anderson.

But who is going to do what by when? That's real important because in the absence of it being written on paper with target dates with people's names, it's too easy to put on the back burner.

MR. BOGANY: My question is the lack of identified resource employees to take lead on the staff and project. I think that should be defined. We should have someone in that group be allocated so you know who that person is going to be. If the lead is identified as very difficult to get the employee to commit to the staff project, to me, that should be part of the job performance and it should be all included in that, and whoever is in that director's side should identify somebody in their group that, This is your project and you work this project, and you get it done.

Somebody is identified, versus saying, Well, I'm busy. I can't do it, so you go to the meeting and sit down there. Identify somebody in the group and give them this as part of the assignment. I guess that's what I'm -- as I read through this, that's what it seems to be lacking, is that kind of helter-skelter, Hey, I can't get to it; you go to it and let me know what happens.

MS. CARRINGTON: I don't believe that's the case.

MR. BOGANY: Okay.

MS. CARRINGTON: In each division, if the division director is not the one who feels like they can be the person who's there for every meeting, then all of the division directors have named someone who that is their primary responsibility. So that is indeed the case.

MR. BOGANY: Okay.

MR. GAINES: A lot of the challenges and

difficulties we've spoken to, I believe we've also identified the resolution and with Ms. Carrington and the chair of the committee saying, Yes, that's what we need to do, I feel confident that once the staff realizes the priorities and job expectations, that there will be progress made on these.

MS. CARRINGTON: I'd like to go back, if I might, to address Mr. Gordon's comment about Issue Number One on populating the multifamily data. We do have a plan for that. That area, as you probably know, has been fairly overwhelmed with what's gone on the last several months.

MR. GORDON: Sure.

MS. CARRINGTON: They are now fully staffed. They have added another person to their division, and that is going to be -- entering much of that data is going to be a primary responsibility of that new employee in that division.

MR. BOGANY: I have one more question, very brief. One of the things, Ms. Carrington, I would like to see -- and I think the Committee would -- is the resources allocated when we do budgeting to take this on -- take this forward -- seeing some --

I know we're tight on resources, but we can squeeze that water from a rock, I believe, and relook at it and see what we can do to make sure that the resources -- the moneys are there, or the help is there from a point of where it's temporary help to bring this forward.

MS. CARRINGTON: We will indeed continue to look at that and do what we can.

MR. BOGANY: Okay. I guess I am hoping that we may prioritize that a little bit in the situation.

MR. SALINAS: If it's that important, we can stay behind Ms. Carrington, so what do we do? Set the priority or another priority?

MS. CARRINGTON: Some of the modules absolutely have been completed, and then there have been other activities such as the five modules that we're looking at dropping, that the users have gotten together, as David calls them the business users -- they've gotten together and said, These are all internal. They're specific to my division and we don't need these right now.

So I certainly believe that we have made and are making progress on this. Has our time line slipped? Absolutely. Have we gotten as far as we thought we were going to? No. But I certainly believe that we are making progress, and we do have some functionality at this point, and I think as the committee has had the discussion on the prioritizing, coming from you all and coming from me, that that helps shine the light on this.

MR. SALINAS: Well, if that is the priority, we need to be careful.

MR. GAINES: I believe that a lot of us consider it a priority, and again, like Ms. Carrington was saying, we just need to remind others that yes, it is a priority of the department.

MR. SALINAS: How will we remind them?

MS. CARRINGTON: Well, I think what my staff would tell me, Mayor, is, Would you like us to get our $31 million in HOME funds out or do you want us to get our single family part of the database put together? Those really are the kinds of priorities and decisions that we have to make on a daily basis, and I think the division directors have certainly recognized that they can't always be the one to attend the meetings, and that's why they have selected another staff person to attend those meetings and make sure that they are represented, because it cannot go forward if we don't have the users at each of the meetings.

MR. BOGANY: I would agree with Ms. Carrington, but I also would believe that we need to maybe look at bringing in some temporary help to help in this process and implementation of what we're doing. It just seems that it's just not enough people to help implement and do all these things. I would think even if we could bring in temporary help at a lot less cost, maybe we could get some of these items really implemented and give the staff some breathing room.

Temporary help is only for a temporary time, during the time that we're doing all the allocations. Is that two or three months? Then we bring in temporary help for two or three months, and then at that point, we go back to normal, but at least -- it's like having a valley. You work in here hard to get the situation done, and then when you get it finished but you get a low next month because you were working over here versus having something that keeps your balance of consistency across the top.

I don't think the only way to do that is to allow resources, maybe people, to help keep that consistent instead of doing it like this. That's what it seems like, peaks and valleys -- having somebody work on it while the main staff is working on the priority at that time.

MR. SALINAS: But that's not the issue.

MR. GAINES: Well, actually, that is part of the solution, and we have looked at some of that. I'll be discussing that in just a moment under status of funds and available monies for exactly those sorts of activities. I just wanted to clarify --

MS. CARRINGTON: David, you've got five minutes.

MR. GAINES: -- a comment that Ms. Carrington made regarding that FTE. That really relates to entering current and future data, and while they can participate on that historical data project, that's kind of another plan that is probably one of the more fully developed plans. But there are significant challenges relating to that, as well.

For example, clearing out duplicate data. If you don't have business processes in place to proclude reentry of additional duplicate data, you're chasing your tail, and right now, we're experiencing some of that. A big dependency on a lot of these issues is formalizing and standardizing our business processes in alignment with the database. That is another issue that is being worked on, is the formalization of business processes. I'm getting this --

MS. CARRINGTON: You've got five minutes. It's your five minute warning, David.

MR. GAINES: The last five percent that takes forever. Right? The next item in your materials is a summary of maintenance detail that's being performed on the central database, and we've categorized maintenance activities by enhancements to the system, bug fixes, data management considerations and reports, and assisting users with generating reports.

You'll notice activities that have been completed, requests that are in progress. What I wanted to highlight here is some quick math that will show that this work has consumed over 1000 hours since the last report to you, which constitutes approximately half of a man year, and that's comparable to two employees working full-time on maintenance of the system and these sorts of activities.

We're looking at strategies to try to minimize some of this time. For example, development of design views by the consultant. Developing these would help minimize report requests. There is a change order in process right now to allow enhanced delete functionality of non-critical data by the business community, and that will help minimize some of that data management that right now the database administrator is having to go in do on behalf of the users.

We need to continue to assess that because that's a significant investment of just staying at ground level. There's ongoing hope that the enhancements and bugs to the system will decrease as they logically should, but really at this point, there's no real evidence to support this assumption. Again, it's only logical it should happen as we've recognized the importance of plural user acceptance testing, which was applied on the contract system and will be on the other modules going forward.

Presumably, the bugs will be minimized with those preventive measures. This is just to provide you with an overview of some of the challenges facing the technical team. It should also be noted that this maintenance work does not really include maintenance of the other departments' systems, and there is a considerable number of those as well. Any questions on maintenance?

(No response.)

MR. GAINES: Finally, I'd like to point out -- I'm sorry. I'm rushing on here, but the last page in your report is Status of Funds. I'd like to direct your attention to the bottom line, the appropriation balances. You can see that we have, as of July 15, a significant amount of money here available for this project, exceeding $375,000. We do have some planned use for these funds, as highlighted below, that won't consume these funds.

There is a fine line between spending the money and spending it effectively, and we're trying to guard against throwing money out needlessly. By doing so, that may in fact actually result in not using all these funds. Our goal is to bring on as much contract work as we can reasonably do, and that the ISD, Information Systems Division, can reasonably manage.

That's one of the big challenges in getting this money out, managing those contracts. That concludes my presentation. I'll be glad to entertain any questions you might have on any of the materials.

MR. BOGANY: Thank you, David. I need to ask the committee if we need to go into executive session at all.

MR. GORDON: I don't think so.

MR. BOGANY: Okay. David, thank you for your report. I'd like to give -- if there are no other questions from the committee or any other statements, I'd like to get a motion to adjourn.

MR. SALINAS: So moved.

MR. GORDON: Second.

MR. BOGANY: This meeting is now concluded.

(Whereupon, at 9:30 a.m., the meeting was adjourned.)

C E R T I F I C A T E

MEETING OF: TDHCA Audit Committee

LOCATION: Austin, Texas

DATE: August 19, 2004

I do hereby certify that the foregoing pages, numbers 1 through 64, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Penny Bynum before the Texas Department of Housing and Community Affairs.

08/25/2004
(Transcriber) (Date)

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