

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
AUDIT AND FINANCE COMMITTEE MEETING**

**AGENDA
08:00 AM
December 10, 2020**

Meeting Location: In light of the March 13, 2020, disaster declaration by the Office of the Governor, and the subsequent waivers of portions of Tex. Gov't Code, Ch. 551*, this meeting of the TDHAS Audit and Finance Committee will be accessible to the public via the telephone and web link information, below. In order to engage in two-way communication during the meeting, persons must first register (at no cost) to attend the webinar via the link provided. Anyone who calls into the meeting without registering online will not be able to ask questions or provide comments, but the meeting will still be audible. A recording of the meeting will be made available to the public as soon as possible following the meeting¹.

Governing Board Webinar registration:

<https://attendeegotowebinar.com/register/2236441146685562379>

Dial-in number: +1 (415) 655-0060, access code 311-803-933 (persons who use the dial-in number and access code without registering online will only be able to hear the Board meeting and will not be able to ask questions or provide comments). Note, this meeting will be proceeding as a videoconference under Tex. Gov't Code §551.127, as modified by waiver.

If the GoToWebinar terminates prior to adjournment of the meeting (i.e. if the webinar session "crashes") the meeting will be recessed. A new link to the meeting will be posted immediately on the TDHCA Board meetings web page (<https://www.tdhca.state.tx.us/board/meetings.htm>) along with the time the meeting will resume. The time indicated to resume the meeting will be within six hours of the interruption of the webinar. Please note that in this contingency, the original meeting link will no longer function, and only the new link (posted on the TDHCA Board meetings web page) will work to return to the meeting.

CALL TO ORDER

ROLL CALL

Sharon Thomason, Chair

CERTIFICATION OF QUORUM

The Audit and Finance Committee of the Governing Board of the Texas Department of Housing and Community Affairs (TDHCA) will meet to consider and may act on any of the following:

ACTION ITEMS:

ITEM 1: Presentation, discussion, and possible action to approve the Audit and Finance Committee Minutes Summary for September 3 , 2020

Mark Scott
Director of
Internal Audit

ITEM 2: Presentation, discussion, and possible action to approve Fiscal Year 2021 Internal Audit Annual Work plan

¹ The list of Open Meeting laws subject to temporary suspension effective March 16, 2020, is available at: <https://www.texasattorneygeneral.gov/sites/default/files/images/admin/2020/Press/Open%20Meeting%20Laws%20Subject%20to%20Temporary%20Suspension.pdf>

ITEM 3: Presentation, discussion, and possible action to accept the report on the Draft Computation of Housing Finance Division Total and Unencumbered Fund Balances and Transfers to the State of Texas Housing Trust Fund

Joe Guevara
Director of
Financial
Administration

REPORT ITEMS:

ITEM 1: Presentation and discussion of Internal Audit review of the implementation status of prior audit findings and recommendations

Mark Scott
Director of Internal
Audit

ITEM 2: Presentation and discussion of the Internal Audit Annual Report

ITEM 3: Report on the status of the Internal and External Audit activities

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

EXECUTIVE SESSION

The Committee may go into Executive Session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Tex. Gov't Code, Chapter 551 and under Tex. Gov't Code, §2306.039.

Pursuant to Tex. Gov't Code, §551.074 the Audit Committee may go into Executive Session for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee.

Pursuant to Tex. Gov't Code, §551.071(1) the Committee may go into executive session to seek the advice of its attorney about pending or contemplated litigation or a settlement offer.

Pursuant to Tex. Gov't Code, §551.071(2) the Committee may go into executive session for the purpose of seeking the advice of its attorney about a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Tex. Gov't Code, Chapter 551.

Pursuant to Tex. Gov't Code, §2306.039(c) the Committee may go into executive session to receive reports from the Department's internal auditor, fraud prevention coordinator, or ethics advisor regarding issues related to fraud, waste, or abuse.

OPEN SESSION

If there is an Executive Session, the Committee will reconvene in Open Session and may take action on any items taken up in Executive Session. Except as specifically authorized by applicable law, the Audit Committee may not take any actions in Executive Session.

ADJOURN

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact Mark Scott, TDHCA Internal Audit Director, 221 East 11th Street Austin, Texas 78701-2410, 512-475-3813 and request the information.

Individuals who require auxiliary aids, services or sign language interpreters for this meeting should contact Nancy Dennis, at 512-475-3959 or Relay Texas at 1-800-735-2989, at least five days before the meeting so that appropriate arrangements can be made. Non-English speaking individuals who require interpreters for this meeting should contact Elena Peinado, 512-475-3814, at least five days before the meeting so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Elena Peinado, al siguiente número 512-475-3814 por lo menos cinco días antes de la junta para hacer los preparativos apropiados.

Action Item

1

AUDIT AND FINANCE COMMITTEE ACTION REQUEST

INTERNAL AUDIT DIVISION

December 10, 2020

Presentation, discussion and possible action on Audit and Finance Committee Meeting Minutes Summary for September 3, 2020

RECOMMENDED ACTION

RESOLVED, that the Audit and Finance Committee Meeting Minutes Summary for September 3, 2020 are hereby approved as presented.

**MINUTES OF THE AUDIT AND FINANCE COMMITTEE MEETING
OF THE GOVERNING BOARD OF THE
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

On Thursday, September 3, 2020, at 8:00 a.m. the meeting of the Audit and Finance Committee (the "Committee") of the Governing Board (the "Board") of the Texas Department of Housing and Community Affairs ("TDHCA" or the "Department") was held via telephone and web link (GoToWebinar). Committee members Sharon Thomason, Leo Vasquez and Paul A. Braden were present and represented a quorum for the committee meeting.

The first action item on the agenda was approval of the minutes of the June 25, 2020 meeting of the Committee. However, due to technical issues, the live broadcast started while Mr. Scott was presenting the first report item on the agenda, Internal Audit of the Physical Inspection section of the Compliance monitoring division. The presentation and approval of the minutes summary of the June 25, 2020 of Audit and Finance Committee meeting was not included in the transcript.

Mr. Scott's presented the Internal Audit report of the Physical Inspection section. He stated that internal audit has identified some areas of improvement to strengthen data access controls and technology change management functions. Management has agreed to these recommendations and will be implementing procedures to meet them. He also agreed with Mr. Vasquez on the need for more comprehensive review of this function in the near future. He assured the Committee that internal audit will evaluate and audit aspects of this function that were not reviewed during this audit due to restrictions imposed by COVID19 pandemic.

The next report item on the agenda was the internal audit of the Section 8 program. Mr. Scott talked about the segment of the population that benefits from this program, Texas counties that are administered by TDHCA, and also various programmatic reviews that are performed by HUD on this program. Internal audit identified various procedures and controls related to the processing and maintenance of documentation that should be strengthened. Management has agreed with these recommendations and will be implementing procedures to meet them.

With no questions from Committee members regarding Section 8 program audit report, Mrs. Thomason moved to the final report item; the status of the internal and external audit activities. Mr. Scott said that the State Audit's office has started their annual audit of the TDHCA financial statements. They will be issuing their reports in December on the basic financial statements, as well as the bonds. Another external audit in progress is the Department of Energy's desk review of the Low Income Energy Assistance Program.

As far as the status of the internal audit annual plan goes; internal audit has completed all of the audits on the FY20 audit plan, with the exception of the Continuity of Operation Plan (COOP). The Audit of COOP is almost complete, and the annual audit plan for fiscal year 2021 will be presented during December meeting of the Audit and Finance Committee for approval.

Mr. Scott then offered to answer any questions that the Committee members may have. Mr. Vasquez inquired whether or not Mr. Scott was going to be able to provide the proposed audit plan prior to the December meeting to the Committee members. Mr. Scott confirmed that he'll be providing the risk assessment matrix that is used in identifying the auditable units for FY21 audit plan for review and possible inputs prior to the next meeting. There were no follow up questions or comments to this item.

Mrs. Thomason then thanked Mr. Scott and his team for their hard work considering the challenges they've been facing in the last six months and due to the pandemic and the restrictions that have been imposed by it. Mrs. Thomason then asked if Committee members had any additional questions or comments. With no question, the meeting was adjourned at 8:15am.

Action Item

2

AUDIT and FINANCE COMMITTEE ACTION REQUEST

INTERNAL AUDIT DIVISION

December 10, 2020

Presentation, discussion, and possible approval of the Fiscal Year 2021 Internal Audit Work Plan

RECOMMENDED ACTION

WHEREAS, the Tex. Gov't Code §2306.073(b), the Internal Auditing Act and audit standards require the Department's Governing Board to approve an annual audit work plan that outlines the internal audit projects planned for the fiscal year;

WHEREAS, Staff has presented a Fiscal Year 2021 Internal Audit Work Plan that is acceptable to the Audit and Finance Committee; and

NOW, therefore, it is hereby

RESOLVED, the Audit and Finance Committee of the Board recommends approval of the Internal Audit Work Plan for Fiscal Year 2021 by the Governing Board as presented.

BACKGROUND

The annual internal audit work plan is required by the Tex. Gov't Code §2306.073(b), the Texas Internal Auditing Act (Tex. Gov't Code Chapter 2102) and by the International Standards for the Professional Practice of Internal Auditing (Standards). The plan is prepared by the internal auditor based on an agency-wide risk assessment as well as input from the Department's Governing Board and executive management. The plan identifies the individual audits to be conducted during Fiscal Year 2021. The plan also outlines other planned activities that will be performed by the Internal Audit Division.



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Greg Abbott
GOVERNOR

BOARD MEMBERS

Leo Vasquez, Chair
Leslie Bingham, Vice Chair
Paul A. Braden, Member
Ajay Thomas, Member
Sharon Thomason, Member

Texas Department of Housing and Community Affairs Office of Internal Audit Audit Plan for Fiscal Year 2021

Statutory and Professional Standards Requirement

The Texas Internal Auditing Act (Texas Government Code, §2102.005) requires state agencies to conduct a program of internal auditing. The *International Standards for the Professional Practice of Internal Auditing (IA Standards)* define Internal Auditing as an “independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

The Texas Government Code and the *IA Standards* require internal auditors to develop an annual audit plan, using risk assessment techniques, that identifies individual audits to be conducted during the year. The Code requires that the plan be approved by the state agency's governing board or by its administrator, if the agency has no governing board.

The program of internal auditing is carried out by the Office of Internal Audit (OIA) which serves at the direction of the Governing Board. The OIA has prepared this audit plan for consideration and approval by the Governing Board.

Development of the Annual Audit Plan

The Fiscal Year 2021 plan is designed to cover areas of highest risk to the State and the agency; however, it does not cover all risks. TDHCA management should utilize internal controls and other appropriate methodologies to mitigate residual risks not covered by the audit plan.

The annual audit plan was developed using a risk based methodology which included:

- Obtaining management's and the Governing Board's perspectives through surveys and discussions.



- Consulting with the State Auditor’s Office and other oversight bodies.
- Reviewing prior TDHCA meeting minutes, audit report findings and recommendations, and budgetary information.
- Evaluating information about key agency business areas, processes, and systems.
- Considering input from internal audit staff.
- Utilizing a matrix whereby identified auditable units were ranked according to standard risk factors.

The budgeted hours for all projects are based on two staff auditors and the Director of Internal Audit.

Projects for Fiscal Year 2021 Annual Audit Plan

We have identified the following projects for inclusion in the 2021 Annual Audit Plan based on our annual risk assessment of the auditable units. The project numbers are for identification purposes and may not correspond to the order in which the projects are performed. Also included below is a brief description of functions to be reviewed.

New Audit Projects:

1. Housing Resource Center (HRC)

The Housing Resource Center provides educational materials and technical assistance to the public, community-based housing development organizations, nonprofit housing developers, and other state and federal agencies. This assistance helps providers determine local housing needs, access appropriate housing programs, and identify available funding sources needed to increase the stock of affordable housing. Other responsibilities of the Housing Resource Center include offering assistance to the general public in locating the appropriate service providers in their community, in addition to being responsible for plans and reports that TDHCA is required to submit to receive funding from both the state and federal government.

The HRC has recently become responsible for preparation and posting of the Board and Committee’s book materials prior to each Board meeting. These are high-profile activities and rated high on annual risk assessment due to lack of recent audits. The Complaint Resolution section of HRC was audited by OIA in FY2019 and will not be reviewed during this audit.

2. Tenant Selection / Affirmative Marketing Plan (FHDMR)

The Affirmative Marketing Plan refers to requiring a Development Owner with five or more total Units to affirmatively market the Units to promote equal housing choice for prospective tenants, regardless of race, color, religion, sex, national origin, familial status, or disability. They must develop and carry out an Affirmative Fair Housing Marketing Plan (or Affirmative Marketing Plan) to provide for marketing strategies and documentation of outreach efforts to prospective applicants identified as "least likely to apply." Tenant selection is a process that is relevant to several TDHCA areas; and is subject to public scrutiny for prevention of bias, “adverse selection”, etc.



These functions rated high on the annual risk assessment due to management interest and recent changes in both functions. There is also legislative interest in the topic, which makes it high risk according to the methodology used in selecting auditable units for audit.

3. Multi Family Direct Loan / Loan Document Preparation and Routing

The Department's housing programs assist homeowners, buyers, and developers with deferred, forgivable, or repayable loans. The Program Services division processes Single-Family loans. Program Services personnel ensure compliance with all applicable regulations when collecting, receiving, verifying, and filing documents on behalf of those requesting housing assistance; and expeditiously prepare loan packages evaluated by the Department's lawyers. Program Services specialists also coordinate loan closing procedures with title companies.

The Multifamily Direct Loan Program provides funding to nonprofit and for-profit entities for the new construction or rehabilitation of affordable multifamily rental developments. Funding is typically provided in the form of low interest rate, repayable construction-to-permanent loans.

These two functions rated high on the annual risk assessment due to lack of recent audits and complexity of transactions, in addition to interest expressed by both the program area and the legal division for internal audit to review the flow of documentation process.

4. Management of Non-performing Loans

Non-performing loans include those loans that are in default and those for which payments are delinquent. The management of those loans includes workouts of delinquent loans, and the operational and accounting procedures related to defaults.

The audit will include evaluation of Single and Multifamily loans. Based on the project risk assessment for this audit, internal audit will determine what specific areas/risks to test.

5. Ending Homelessness and Homeless Housing and Services Program (HHSP)

The HOME and Homelessness Programs Division awards funds to assist units of general local governments, public housing authorities, nonprofits, and local agencies in the provision of assistance to low-income Texans with a focus on housing and housing-related assistance and services. The Ending Homelessness program is a statewide program to benefit person experiencing or those at risk of homelessness, and has its own designated fund. The audit will include evaluation of any available best practices and compliance guideline related to administration of the program.

Ending Homelessness rated high on the annual risk assessment due to legislative interest, as well as the economic effects of current pandemic on low income individuals.



6. Physical Inspection

The Physical Inspection section of Compliance division performs and administers inspections for developments monitored by the Department throughout the compliance period. The section ensures developments are habitable, well maintained, and ready for occupancy, follow appropriate accessibility standards, and comply with applicable program rules and regulations. The section also administers inspections performed by the Department's contracted inspection firms. As of SB20 the contract will be reviewed as part of this audit.

The Physical Inspection section of Compliance Monitoring Division was selected for Audit during FY20, and a report was issued on August 14, 2020. However, due to a scope limitation imposed by COVID19 pandemic, this unit will be reviewed more comprehensively during FY21.

Administrative and Statutory Projects:

- Review of TDHCA compliance with appropriation riders and other requirements of the Government Code
- Annual Audit Plan and reporting
- Annual tracking of the implementation status of prior audit recommendations
- Coordination and review of complaints related to possible Fraud, Waste, and Abuse

Consulting Projects and External Audit Coordination

Pursuant to the TDHCA internal audit charter, the OIA performs consulting activities for the agency. For fiscal year 2021, OIA is providing consulting services related to the new Grant Guidance in 2 CFR 200, as well as subrecipient monitoring.

OIA also coordinates and advises on external audit activities.

Sincerely,

Mark Scott

Mark Scott, CPA, CIA, CISA, CFE, MBA
Internal Audit Director

MS/NS



Action Item

3

AUDIT AND FINANCE COMMITTEE ACTION ITEM

FINANCIAL ADMINISTRATION DIVISION

DECEMBER 10, 2020

Presentation, discussion, and possible action to accept the report on the Draft Computation of Housing Finance Division Total and Unencumbered Fund Balances and Transfers to the State of Texas Housing Trust Fund.

WHEREAS, Tex. Gov't Code §2306.204 requires an independent audit of the Department's Housing Trust Fund to determine the amount of unencumbered fund balances that are greater than the amount required for the reserve fund and the report to be submitted to the board by December 31st of each year;

WHEREAS, Housing Finance Division unencumbered funds are the funds associated with any and all of the Department's housing finance activity that are not subject to any restriction precluding their immediate transfer to the housing trust fund. Such restrictions include: being subject to a state or federal law or other applicable legal requirement such as the General Appropriations Act, being held in trust subject to the terms of a bond indenture, or having been designated by the Department's Governing Board for a specific use or contingency;

WHEREAS, Tex. Gov't Code §2306.205 provides a formula for determining the amount of unencumbered fund balances and the amounts, if any, to transfer to the Housing Trust Fund before January 10th; and

WHEREAS, Staff has drafted a process for determining the three year-end values total and non highest rated bond indebtedness, the amount of unencumbered fund balances and the amounts, if any, to transfer to the State of Texas Housing Trust Fund;

NOW, therefore, it is hereby

RESOLVED, that the Draft Computation of Unencumbered Fund Balances Report as of August 31, 2020, is presented to this meeting and the Board and the Executive Director accepts this report in satisfaction of the requirements of Tex. Gov't Code §§2306.204 and 2306.205 with its final approval determined by the year-end audit performed by the State Auditor's Office.

BACKGROUND

Pursuant to Tex. Gov't Code §§2306.204 and 2306.205, the Department is required to transfer to the State of Texas Housing Trust Fund annually a portion of the unencumbered funds, if any, meeting

certain threshold and criteria. This statute also requires the Department to undergo an annual audit of its unencumbered fund balances and to transfer excess funds to the State of Texas Housing Trust Fund based on a calculation set forth in the statute. Using the methodology outlined in the statute, Department staff developed a Standard Operating Procedure (#1210.05) to calculate statutorily required transfers to the State of Texas Housing Trust Fund.

The Draft Computation of Unencumbered Fund Balances Report as of August 31 (Exhibit A) reflects funds held by the Department deemed to be unencumbered of \$146,821; the Calculation of Bonded Indebtedness Report (Exhibit B) only includes bonds and notes outstanding not rated in the highest long-term debt rating category to calculate the 2% threshold of \$14,531,040; and the List of Bond Ratings (Exhibit C) from rating agencies. Since the unencumbered balance is less than the 2% threshold it does not meet the first threshold in Tex. Gov't Code §2306.205(a) for any transfer to the State of Texas Housing Trust Fund.

In conclusion, the Draft Computation of Unencumbered Fund Balances Report as of August 31, 2020, yielded a zero transfer to the State of Texas Housing Trust Fund. Again, this report is included for review in the year-end financial audit performed by the State Auditor's Office and is, therefore, subject to revision based on such audit.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Calculation of Bonded Indebtedness as of August 31, 2020
 Pursuant to Texas Government Code Section 2306.205

	Highest Bond Rating	Bonds/Notes Outstanding (Par)	Bonded Indebtedness Not Rated in the Highest Category
Single-family	Aaa	\$ 738,432,032	\$ 12,000,000
RMRB	Aaa	246,075,000	10,000,000
Multifamily	Various	1,043,686,376	704,551,981
		<u>\$ 2,028,193,408</u>	<u>\$ 726,551,981</u>

Section 2306.205(a)		
2% of bonded indebtedness		\$ 14,531,040
Unencumbered Fund Balance (UFB) per Calculation		\$ 147,000
Does UFB exceed 2% of bonded indebtedness?		No
If UFB exceeds 2% of bonded indebtedness:		
What amount exceeds 2% of bonded indebtedness?		\$ -
Half of UFB in excess of 2% of bonded indebtedness (Transfer to HTF)		\$ -

Section 2306.205(c)		
4% of bonded indebtedness		\$ 29,062,079
Unencumbered Fund Balance (UFB) per Calculation		\$ 147,000
Does UFB exceed 4% of bonded indebtedness?		No
If UFB exceeds 4% of bonded indebtedness:		
What amount exceeds 4% of bonded indebtedness?		\$ -
All of UFB in excess of 4% of bonded indebtedness (Transfer to HTF)		\$ -

EXHIBIT C

Single Family Indenture					Rating Agencies			
					8/31/2020	Moody's	Standard & Poor's	Fitch
Series	CUSIP	Maturity Date	Interest Rate	Ending Bonds Outstanding	rtg moody	rtg sp	rtg fitch	
2004B	88275FNN5	9/1/2034	VAR	\$ 16,655,000.00	Aaa/VMIG1	AA+/A-1+	#N/A N/A	
2004D	88275FNP0	3/1/2035	VAR	\$ 11,645,000.00	Aaa/VMIG1	AA+/A-1+	#N/A N/A	
2005A	88275FNQ8	9/1/2036	VAR	\$ 16,285,000.00	Aaa/VMIG1	AA+/A-1+	#N/A N/A	
2007A	88275FMF3	9/1/2038	VAR	\$ 15,835,000.00	Aaa/VMIG1	AA+/A-1+	#N/A N/A	
2013A	88275FNT2	3/1/2036	2.800%	\$ -	Aaa	AA+	#N/A N/A	
2015A	88275FNU9	9/1/2039	3.200%	\$ 16,385,000.00	Aaa	AA+	#N/A N/A	
2015B	88275FNV7	3/1/2046	3.125%	\$ 11,150,000.00	Aaa	AA+	#N/A N/A	
2016A	88275FNW5	3/1/2046	3.000%	\$ 18,680,000.00	Aaa	AA+	#N/A N/A	
2016B	88275FNX3	3/1/2039	3.180%	\$ 25,925,000.00	Aaa	AA+	#N/A N/A	
2017A	88275FNY1	9/1/2047	2.835%	\$ 51,123,267.00	Aaa	AA+	#N/A N/A	
2017B	88275FNZ8	9/1/2038	2.750%	\$ 17,502,128.00	Aaa	AA+	#N/A N/A	
2017C	88275FPA1	9/1/2047	3.100%	\$ 36,127,262.00	Aaa	AA+	#N/A N/A	
2018A	88275FPD5	9/1/2020	1.900%	\$ 920,000.00	Aaa	AA+	#N/A N/A	
	88275FPE3	3/1/2021	1.950%	\$ 930,000.00	Aaa	AA+	#N/A N/A	
	88275FPF0	9/1/2021	2.000%	\$ 940,000.00	Aaa	AA+	#N/A N/A	
	88275FPG8	3/1/2022	2.100%	\$ 955,000.00	Aaa	AA+	#N/A N/A	
	88275FPH6	9/1/2022	2.200%	\$ 965,000.00	Aaa	AA+	#N/A N/A	
	88275FPJ2	3/1/2023	2.250%	\$ 985,000.00	Aaa	AA+	#N/A N/A	
	88275FPK9	9/1/2023	2.300%	\$ 1,005,000.00	Aaa	AA+	#N/A N/A	
	88275FPL7	3/1/2024	2.450%	\$ 1,015,000.00	Aaa	AA+	#N/A N/A	
	88275FPM5	9/1/2024	2.500%	\$ 1,030,000.00	Aaa	AA+	#N/A N/A	
	88275FPN3	3/1/2025	2.600%	\$ 1,035,000.00	Aaa	AA+	#N/A N/A	
	88275FPP8	9/1/2025	2.650%	\$ 1,055,000.00	Aaa	AA+	#N/A N/A	
	88275FPQ6	3/1/2026	2.800%	\$ 1,070,000.00	Aaa	AA+	#N/A N/A	
	88275FPR4	9/1/2026	2.850%	\$ 1,095,000.00	Aaa	AA+	#N/A N/A	
	88275FPS2	3/1/2027	2.950%	\$ 1,115,000.00	Aaa	AA+	#N/A N/A	
	88275FPT0	9/1/2027	3.000%	\$ 1,130,000.00	Aaa	AA+	#N/A N/A	
	88275FPU7	3/1/2028	3.050%	\$ 1,150,000.00	Aaa	AA+	#N/A N/A	
	88275FPV5	9/1/2028	3.100%	\$ 1,175,000.00	Aaa	AA+	#N/A N/A	
	88275FPW3	3/1/2029	3.150%	\$ 1,190,000.00	Aaa	AA+	#N/A N/A	
	88275FPX1	9/1/2029	3.200%	\$ 1,210,000.00	Aaa	AA+	#N/A N/A	
	88275FPY9	9/1/2033	3.350%	\$ 9,395,000.00	Aaa	AA+	#N/A N/A	
	88275FPZ6	9/1/2038	4.125%	\$ 16,090,000.00	Aaa	AA+	#N/A N/A	
	88275FOA0	9/1/2043	4.250%	\$ 20,110,000.00	Aaa	AA+	#N/A N/A	
	88275FQB8	9/1/2048	4.250%	\$ 25,345,000.00	Aaa	AA+	#N/A N/A	
	88275FQC6	3/1/2049	4.750%	\$ 46,785,000.00	Aaa	AA+	#N/A N/A	
2019A	88275FQD4	9/1/2020	1.250%	\$ 1,000,000.00	Aaa	AA+	#N/A N/A	
	88275FQF9	3/1/2022	1.450%	\$ 975,000.00	Aaa	AA+	#N/A N/A	
	88275FQG7	9/1/2022	1.500%	\$ 985,000.00	Aaa	AA+	#N/A N/A	
	88275FQH5	3/1/2023	1.550%	\$ 995,000.00	Aaa	AA+	#N/A N/A	
	88275FQJ1	9/1/2023	1.600%	\$ 1,005,000.00	Aaa	AA+	#N/A N/A	
	88275FQK8	3/1/2024	1.600%	\$ 1,015,000.00	Aaa	AA+	#N/A N/A	
	88275FQL6	9/1/2024	1.650%	\$ 1,025,000.00	Aaa	AA+	#N/A N/A	
	88275FQM4	3/1/2025	1.700%	\$ 1,040,000.00	Aaa	AA+	#N/A N/A	
	88275FQN2	9/1/2025	1.750%	\$ 1,055,000.00	Aaa	AA+	#N/A N/A	
	88275FQP7	3/1/2026	1.850%	\$ 1,065,000.00	Aaa	AA+	#N/A N/A	
	88275FQQ5	9/1/2026	1.950%	\$ 1,070,000.00	Aaa	AA+	#N/A N/A	
	88275FQR3	3/1/2027	2.000%	\$ 1,080,000.00	Aaa	AA+	#N/A N/A	
	88275FQS1	9/1/2027	2.050%	\$ 1,085,000.00	Aaa	AA+	#N/A N/A	
	88275FQT9	3/1/2028	2.150%	\$ 1,095,000.00	Aaa	AA+	#N/A N/A	
	88275FQU6	9/1/2028	2.200%	\$ 1,115,000.00	Aaa	AA+	#N/A N/A	

	88275FQV4	3/1/2029	2.250%	\$	1,135,000.00	Aaa	AA+	#N/A N/A
	88275FQW2	9/1/2029	2.300%	\$	1,150,000.00	Aaa	AA+	#N/A N/A
	88275FQX0	3/1/2030	2.350%	\$	1,170,000.00	Aaa	AA+	#N/A N/A
	88275FQY8	9/1/2030	2.400%	\$	1,185,000.00	Aaa	AA+	#N/A N/A
	88275FQE2	9/1/2021	1.400%	\$	1,795,000.00	Aaa	AA+	#N/A N/A
	88275FQZ5	9/1/2034	2.700%	\$	10,200,000.00	Aaa	AA+	#N/A N/A
	88275FRA9	9/1/2039	3.375%	\$	15,165,000.00	Aaa	AA+	#N/A N/A
	88275FRB7	9/1/2044	3.625%	\$	18,570,000.00	Aaa	AA+	#N/A N/A
	88275FRC5	9/1/2049	3.750%	\$	26,530,000.00	Aaa	AA+	#N/A N/A
	88275FRD3	3/1/2050	4.000%	\$	72,440,000.00	Aaa	AA+	#N/A N/A
2020A	88275FRE1	3/1/2021	0.350%	\$	230,000.00	Aaa	AA+	#N/A N/A
	88275FRF8	9/1/2021	0.400%	\$	1,210,000.00	Aaa	AA+	#N/A N/A
	88275FRG6	3/1/2022	0.550%	\$	1,225,000.00	Aaa	AA+	#N/A N/A
	88275FH4	9/1/2022	0.600%	\$	1,235,000.00	Aaa	AA+	#N/A N/A
	88275FRJ0	3/1/2023	0.750%	\$	1,240,000.00	Aaa	AA+	#N/A N/A
	88275FRK7	9/1/2023	0.800%	\$	1,250,000.00	Aaa	AA+	#N/A N/A
	88275FRL5	3/1/2024	0.900%	\$	1,260,000.00	Aaa	AA+	#N/A N/A
	88275FRM3	9/1/2024	0.950%	\$	1,270,000.00	Aaa	AA+	#N/A N/A
	88275FRN1	3/1/2025	1.250%	\$	1,280,000.00	Aaa	AA+	#N/A N/A
	88275FRP6	9/1/2025	1.250%	\$	1,290,000.00	Aaa	AA+	#N/A N/A
	88275FRQ4	3/1/2026	4.000%	\$	1,290,000.00	Aaa	AA+	#N/A N/A
	88275FRR2	9/1/2026	4.000%	\$	1,300,000.00	Aaa	AA+	#N/A N/A
	88275FRS0	3/1/2027	5.000%	\$	1,315,000.00	Aaa	AA+	#N/A N/A
	88275FRT8	9/1/2027	5.000%	\$	1,325,000.00	Aaa	AA+	#N/A N/A
	88275FRU5	3/1/2028	5.000%	\$	1,335,000.00	Aaa	AA+	#N/A N/A
	88275FRV3	9/1/2028	5.000%	\$	1,340,000.00	Aaa	AA+	#N/A N/A
	88275FRW1	3/1/2029	1.900%	\$	1,365,000.00	Aaa	AA+	#N/A N/A
	88275FRX9	9/1/2029	1.950%	\$	1,370,000.00	Aaa	AA+	#N/A N/A
	88275FRY7	3/1/2030	2.000%	\$	1,380,000.00	Aaa	AA+	#N/A N/A
	88275FRZ4	9/1/2030	2.050%	\$	1,395,000.00	Aaa	AA+	#N/A N/A
	88275FSA8	3/1/2031	2.100%	\$	1,410,000.00	Aaa	AA+	#N/A N/A
	88275FSB6	9/1/2031	2.150%	\$	1,425,000.00	Aaa	AA+	#N/A N/A
	88275FSC4	9/1/2035	2.150%	\$	12,075,000.00	Aaa	AA+	#N/A N/A
	88275FSD2	9/1/2040	2.500%	\$	17,120,000.00	Aaa	AA+	#N/A N/A
	88275FSE0	9/1/2045	3.000%	\$	20,005,000.00	Aaa	AA+	#N/A N/A
	88275FSF7	3/1/2050	3.000%	\$	21,035,000.00	Aaa	AA+	#N/A N/A
	88275FSG5	3/1/2051	3.500%	\$	76,275,000.00	Aaa	AA+	#N/A N/A
2020B	88275FSH3	3/1/2036	2.000%	\$	12,229,375.00	Aaa	AA+	#N/A N/A
	Total Bonds Outstanding				\$	726,432,032.00		
2018 Issuer Note	N/A	8/8/2025	3.500%	\$	12,000,000.00			
	Bonds/Notes Rated in the Highest Category (Aaa OR AAA)				\$	726,432,032.00		
	Bonds/Notes NOT Rated in the Highest Category (Aaa OR AAA)				\$	12,000,000.00		

EXHIBIT C

RMRB Indenture				Rating Agencies			
				8/31/2020	Moody's	Standard & Poor's	Fitch
Series	CUSIP	Maturity Date	Interest Rate	Ending Bonds Outstanding	rtg moody	rtg sp	rtg fitch
2009C-1	882750NE8	7/1/2041	2.875%	\$ 25,490,000.00	Aaa	AA+	#N/A N/A
2011A	882750LU4	1/1/2021	4.375%	\$ 630,000.00	Aaa	AA+	#N/A N/A
	882750LV2	7/1/2021	4.375%	\$ 630,000.00	Aaa	AA+	#N/A N/A
	882750LW0	1/1/2022	4.550%	\$ 640,000.00	Aaa	AA+	#N/A N/A
	882750LX8	7/1/2022	4.550%	\$ 640,000.00	Aaa	AA+	#N/A N/A
	882750LY6	7/1/2026	5.050%	\$ 5,855,000.00	Aaa	AA+	#N/A N/A
	882750LZ3	7/1/2029	5.000%	\$ 950,000.00	Aaa	AA+	#N/A N/A
				\$ 9,345,000.00			
2009C-2	882750NB4	7/1/2041	2.480%	\$ 19,480,000.00	Aaa	AA+	#N/A N/A
2011B	882750MU3	1/1/2021	3.300%	\$ 735,000.00	Aaa	AA+	#N/A N/A
	882750MV1	7/1/2021	3.300%	\$ 740,000.00	Aaa	AA+	#N/A N/A
	882750MW9	1/1/2022	3.500%	\$ 765,000.00	Aaa	AA+	#N/A N/A
	882750MX7	7/1/2022	3.500%	\$ 775,000.00	Aaa	AA+	#N/A N/A
	882750MY5	1/1/2026	4.050%	\$ 7,030,000.00	Aaa	AA+	#N/A N/A
	882750MZ2	1/1/2030	4.450%	\$ 6,565,000.00	Aaa	AA+	#N/A N/A
	882750NA6	1/1/2034	4.250%	\$ 2,250,000.00	Aaa	AA+	#N/A N/A
				\$ 18,860,000.00			
2019A	882750NW8	1/1/2021	1.850%	\$ 885,000.00	Aaa	AA+	#N/A N/A
	882750NG3	7/1/2021	5.000%	\$ 900,000.00	Aaa	AA+	#N/A N/A
	882750NX6	1/1/2022	1.950%	\$ 920,000.00	Aaa	AA+	#N/A N/A
	882750NH1	7/1/2022	5.000%	\$ 935,000.00	Aaa	AA+	#N/A N/A
	882750NY4	1/1/2023	2.050%	\$ 960,000.00	Aaa	AA+	#N/A N/A
	882750NJ7	7/1/2023	5.000%	\$ 975,000.00	Aaa	AA+	#N/A N/A
	882750NZ1	1/1/2024	2.200%	\$ 1,000,000.00	Aaa	AA+	#N/A N/A
	882750NK4	7/1/2024	5.000%	\$ 1,015,000.00	Aaa	AA+	#N/A N/A
	882750PA4	1/1/2025	2.350%	\$ 1,045,000.00	Aaa	AA+	#N/A N/A
	882750NL2	7/1/2025	5.000%	\$ 1,060,000.00	Aaa	AA+	#N/A N/A
	882750PB2	1/1/2026	2.500%	\$ 1,095,000.00	Aaa	AA+	#N/A N/A
	882750NM0	7/1/2026	5.000%	\$ 1,105,000.00	Aaa	AA+	#N/A N/A
	882750PC0	1/1/2027	2.650%	\$ 1,140,000.00	Aaa	AA+	#N/A N/A
	882750NN8	7/1/2027	5.000%	\$ 1,155,000.00	Aaa	AA+	#N/A N/A
	882750PD8	1/1/2028	2.750%	\$ 1,185,000.00	Aaa	AA+	#N/A N/A
	882750NP3	7/1/2028	5.000%	\$ 1,210,000.00	Aaa	AA+	#N/A N/A
	882750PE6	1/1/2029	2.900%	\$ 1,240,000.00	Aaa	AA+	#N/A N/A
	882750NQ1	7/1/2029	5.000%	\$ 1,270,000.00	Aaa	AA+	#N/A N/A
	882750PF3	1/1/2030	3.000%	\$ 1,305,000.00	Aaa	AA+	#N/A N/A
	882750NR9	7/1/2030	5.000%	\$ 1,330,000.00	Aaa	AA+	#N/A N/A
	882750NS7	1/1/2031	5.000%	\$ 1,370,000.00	Aaa	AA+	#N/A N/A
	882750NT5	7/1/2031	5.000%	\$ 1,405,000.00	Aaa	AA+	#N/A N/A
	882750NU2	1/1/2032	5.000%	\$ 1,440,000.00	Aaa	AA+	#N/A N/A
	882750NV0	7/1/2032	5.000%	\$ 1,480,000.00	Aaa	AA+	#N/A N/A
	882750PG1	7/1/2034	3.500%	\$ 6,325,000.00	Aaa	AA+	#N/A N/A
	882750PH9	7/1/2039	3.800%	\$ 18,695,000.00	Aaa	AA+	#N/A N/A
	882750PJ5	7/1/2044	3.900%	\$ 23,265,000.00	Aaa	AA+	#N/A N/A
	882750PK2	1/1/2049	4.750%	\$ 55,015,000.00	Aaa	AA+	#N/A N/A
	882750PLO	1/1/2050	3.950%	\$ 32,175,000.00	Aaa	AA+	#N/A N/A
				\$ 162,900,000.00			
			Total Bonds Outstanding	\$ 236,075,000.00			
2016 Issuer Note	N/A	9/28/2026	1.000%	\$ 10,000,000.00			
			Bonds/Notes Rated in the Highest Category (Aaa OR AAA)	\$ 236,075,000.00			
			Bonds/Notes NOT Rated in the Highest Category (Aaa OR AAA)	\$ 10,000,000.00			

EXHIBIT C

Multifamily				Rating Agencies			
MF Bond Issue	CUSIP	MF Program#	Private or Public	8/31/2020	Moody's	Standard & Poor's	Fitch
				Ending Bonds Outstanding	rtg moody	rtg sp	rtg fitch
1996 A MF Refunding (Brighton's Mark Development)	88275BBK3	0065	Private Place	\$ 8,075,000.00	#N/A N/A	NR	#N/A N/A
1998 A MF (Residence at the Oaks Project)	88275BDA3	0090	Private Place	\$ 2,688,000.00	#N/A N/A	NR	#N/A N/A
1998 B MF (Residence at the Oaks Project)	88275BDB1	0090	Private Place	\$ 1,435,000.00	#N/A N/A	NR	#N/A N/A
1998 C MF (Residence at the Oaks Project)	88275BDB1	0090	Private Place	\$ 47,000.00	#N/A N/A	NR	#N/A N/A
2000 A MF (Highland Meadow Village Apartments)	88275BEV4	0101	Private Place	\$ 6,018,000.00	#N/A N/A	#N/A N/A	#N/A N/A
2000 A MF (Collingham Park Apartments)	88275BEZ7	0103	Private Place	\$ 7,313,000.00	#N/A Invalid Security	#N/A Invalid Security	#N/A Invalid Security
2000 B MF (Collingham Park Apartments)	88275BFA1	0103	Private Place	\$ 1,644,000.00	#N/A Invalid Security	#N/A Invalid Security	#N/A Invalid Security
2001 A MF (Skyway Villas Apartments)	88275BFN3	0108	Public Offer	\$ 4,305,000.00	WR	NR	WD
2001 B MF (Skyway Villas Apartments)	88275BFO6	0108	Private Place	\$ 1,105,000.00	WR	#N/A N/A	#N/A N/A
2001 A-1 MF (Meridian Apartments)	88275ACG3	0111	Public Offer	\$ 7,002,000.00	#N/A N/A	#N/A N/A	#N/A N/A
2001 B MF (Meridian Apartments)	88275ACH1	0111	Private Place	\$ 391,000.00	#N/A N/A	#N/A N/A	#N/A N/A
2001 A-1 MF (Wildwood Apartments)	88275ACJ7	0112	Public Offer	\$ 5,683,000.00	#N/A N/A	#N/A N/A	#N/A N/A
2003 A MF Refunding (Reading Road)	88275BJJ8	0125	Public Offer	\$ 7,450,000.00	#N/A N/A	AA+/A-1+	#N/A N/A
2003 B MF Refunding (Reading Road)	88275BJK5	0125	Private Place	\$ 1,480,000.00	#N/A N/A	#N/A N/A	#N/A N/A
2003 A MF (West Virginia Apartments)	88275BHT8	0127	Public Offer	\$ 5,450,000.00	WR	NR	WD
2003 A MF (West Virginia Apartments)	88275BHU5	0127	Public Offer	\$ 1,365,000.00	WR	NR	WD
2003 A MF (Primrose Houston School Apartments)	88275BJB5	0129	Private Place	\$ 14,808,864.00	#N/A N/A	#N/A N/A	#N/A N/A
2003 A MF (Ash Creek Apartments)	88275BJS8	0131	Private Place	\$ 14,527,849.00	#N/A N/A	#N/A N/A	#N/A N/A
2003 A MF (Peninsula Apartments)	88275BJU3	0132	Public Offer	\$ 9,080,000.00	#N/A N/A	AA-	#N/A N/A
2003 A MF (Arlington Villas Apartments)	88275BJX7	0134	Public Offer	\$ 15,000,000.00	WR/WR	#N/A N/A	#N/A N/A
2003 B MF (Arlington Villas Apartments)	88275BJY5	0134	Public Offer	\$ 419,471.00	WR/WR	#N/A N/A	#N/A N/A
2004 A MF (Timber Ridge II Apartments)	88275BJZ2	0137	Private Place	\$ 5,970,611.00	#N/A N/A	#N/A N/A	#N/A N/A
2004 MF (Providence at Rush Creek II)	88275BKHO	0141	Private Place	\$ 7,841,100.16	#N/A N/A	NR/NR	#N/A N/A
2004 MF (Humble Parkway Townhomes)	88275BKJ6	0142	Public Offer	\$ 9,650,000.00	#N/A N/A	#N/A N/A	#N/A N/A
2004 MF (Chisholm Trail Apartments)	88275BKR8	0143	Public Offer	\$ 9,200,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2004 MF (Evergreen at Plano Parkway)	88275BKX5	0144	Private Place	\$ 13,158,863.97	#N/A N/A	#N/A N/A	#N/A N/A
2004 MF (Bristol Apartments)	88275BKT4	0146	Public Offer	\$ 10,600,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2004 MF (Pinnacle Apartments)	88275BKV9	0147	Public Offer	\$ 12,265,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2005 MF (Atascocita Pines Apartments)	88275BLV8	0157	Public Offer	\$ 9,990,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2005 MF (Tower Ridge Apartments)	88275BLX4	0158	Public Offer	\$ 15,000,000.00	#N/A N/A	AA+/A-1+	#N/A N/A
2005 MF (St. Augustine Estate Apartments)	88275BME5	0162	Public Offer	\$ 5,280,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2005 MF (Providence Mockingbird Apartments)	None	0164	Private Place	\$ 10,234,591.14	Charter Mac Equity Issuer Trust		
2005 MF (Plaza at Chase Oaks Apartments)	None	0165	Private Place	\$ 10,545,709.22	Washington Mutual Bank		
2005 MF (Coral Hills Apartments)	88275BMP0	0167	Public Offer	\$ 3,920,000.00	#N/A N/A	AA+	#N/A N/A
2006 MF (Village Park Apartments)	88275BNC8	0170	Public Offer	\$ 8,485,000.00	#N/A N/A	AA+	#N/A N/A
2006 MF (Oakmoor Apartments)	88275BNA2	0171	Private Place	\$ 12,995,059.17	#N/A N/A	#N/A N/A	#N/A N/A
2006 MF (The Residences at Sunset Pointe)	88275AA8	0172	Public Offer	\$ 15,000,000.00	#N/A N/A	AA+/A-1+	#N/A N/A
2006 MF (Hillcrest Apartments)	88275AA0	0173	Public Offer	\$ 9,120,000.00	#N/A N/A	NR	#N/A N/A
2006 MF (Meadowlands Apartments)	88275AAH3	0180	Private Place	\$ 11,236,891.80	#N/A N/A	#N/A N/A	#N/A N/A
2006 MF (East Tex Pines)	88275AAP5	0181	Private Place	\$ 12,315,000.00	#N/A N/A	#N/A N/A	#N/A N/A
2006 MF (Aspen Park)	88275AAR1	0183	Public Place	\$ 8,405,000.00	#N/A N/A	AA+	#N/A N/A
2006 MF (Idlewild)	88275AAY6	0184	Public Offer	\$ 12,390,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2007 MF (Lancaster)	88275ABA79	0185	Public Offer	\$ 12,380,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2007 MF (Park Place at Loyola)	88275ABB5	0186	Private Place	\$ 13,248,448.34	#N/A N/A	#N/A N/A	#N/A N/A
2007 MF (Terraces at Cibolo)	88275ABC3	0187	Public Place	\$ 4,495,000.00	#N/A N/A	A-/A-1	#N/A N/A
2007 MF (Santora Villas)	88275ABD1	0188	Private Place	\$ 11,220,534.57	#N/A N/A	#N/A N/A	#N/A N/A
2007 MF (Costa Rialto)	None	0191	Private Place	\$ 9,770,509.21	Centerline Equity Issuer Trust		
2007 MF (Windshire)	88275ABN9	0192	Public Offer	\$ 12,400,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2007 MF (Residences @ Onion Creek)	88275ABX7	0193	Public Offer	\$ 15,000,000.00	#N/A N/A	AA+/A-1+	#N/A N/A
2008 MF (West Oaks Apartments)	88275ABY5	0194	Public Offer	\$ 11,275,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2008 MF (Costa Ibiza Apartments)	88275ACD0	0195	Public Offer	\$ 12,220,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2008 MF (Alta Cullen Refunding)	88275ACF5	0197	Public Offer	\$ 11,100,000.00	#N/A N/A	AA+/A-1+	#N/A N/A
2009 MF (Costa Mariposa)	88275ACK4	0198	Public Offer	\$ 12,335,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2009 MF (Woodmont)	88275ACL2	0199	Public Offer	\$ 13,545,000.00	WR/WR	#N/A N/A	#N/A N/A
2014 MF (Decatur Angle)	88275ACN8	0201	Private Place	\$ 22,333,605.82	#N/A N/A	#N/A N/A	#N/A N/A
2016 MF (Williamsburg Apts)	88275ACW8	0205	Public Offer	\$ 22,136,542.11	Aaa	#N/A N/A	#N/A N/A
2016 MF (Skyline Place Apartments)	88275ADC1	0211	Public Offer	\$ 19,965,869.30	Aaa	#N/A N/A	#N/A N/A
2017 MF (Casa Inc Apartments)	88275ADD9	0212	Public Offer	\$ 23,144,898.21	Aaa	#N/A N/A	#N/A N/A
2017 MF (Casa Brendan Apartments)	88275ADF4	0213	Public Offer	\$ 4,821,853.85	Aaa	#N/A N/A	#N/A N/A
2017 MF (Nuestro Hogar)	88275ADE7	0214	Public Offer	\$ 5,496,913.31	Aaa	#N/A N/A	#N/A N/A
2018 MF (Vista on Gessner)	88275ADH0	0216	Public Offer	\$ 49,768,467.22	Aaa	#N/A N/A	#N/A N/A
2018 MF (Springs Apartments)	88275ADJ6	0218	Public Offer	\$ 20,000,000.00	#N/A N/A	NR	#N/A N/A
2018 MF (Crosby Plaza Apartments)	88275ADK3	0219	Public Offer	\$ 7,000,000.00	#N/A N/A	AA+	#N/A N/A
2018 MF (Oaks on Lamar)	88275ADN7	0220	Public Offer	\$ 16,436,466.73	#N/A N/A	AA+	#N/A N/A
2018 MF (Riverside Townhomes)	88275ADM9	0221	Public Offer	\$ 18,773,358.82	#N/A N/A	AA+	#N/A N/A
2018 A MF (Forestwood)	88275ADP2	0222	Public Offer	\$ 20,000,000.00	#N/A Invalid Security	#N/A Invalid Security	#N/A Invalid Security
2018 B MF (Forestwood)	88275ADQ0	0222	Public Offer	\$ 3,000,000.00	#N/A Invalid Security	#N/A Invalid Security	#N/A Invalid Security
2019 MF A (Park Yellowstone)	88275LAA4	0224	Public Offer	\$ 12,500,000.00	#N/A N/A	AA+	#N/A N/A
2019 MF B (Park Yellowstone)	88275ADS6	0224	Public Offer	\$ 2,880,000.00	#N/A N/A	AA+	#N/A N/A
2019 MF Series A (Lago de Plata)	88275ADT4	0225	Private Place	\$ 13,875,000.00	#N/A N/A	#N/A N/A	#N/A N/A
2019 MF Series A (McMullen Square)	88275ADC9	0226	Private Place	\$ 10,000,000.00	#N/A Invalid Security	#N/A Invalid Security	#N/A Invalid Security
2019 MF Series A (Northgate Village)	88275ADJ9	0227	Public Offer	\$ 18,733,670.58	Aaa	#N/A N/A	#N/A N/A
2020 MF (Oaks on Clark)	88275LAB2	0229	Public Offer	\$ 9,974,967.00	#N/A N/A	#N/A N/A	#N/A N/A
2020 MF (Pines)	88275LAD8	0230	Public Offer	\$ 21,974,251.06	Aaa	#N/A N/A	#N/A N/A
2020 MF (3333 Holly)	88275LAC0	0232	Public Offer	\$ 36,756,929.03	Aaa	#N/A N/A	#N/A N/A
2020 MF (Scott Street Lofts)	88275ADX5	0234	Public Offer	\$ 18,000,000.00	Aaa/VMIG1	#N/A N/A	#N/A N/A
2020 MF (The Walzem)	0235	Private Place	\$ 20,000,000.00	#N/A Invalid Security	#N/A Invalid Security	#N/A Invalid Security	#N/A Invalid Security
2020 MF (Pecan Grove)	88275ADY3	0239	Public Offer	\$ 26,000,000.00	#N/A Invalid Security	#N/A Invalid Security	#N/A Invalid Security

Total Bonds Outstanding \$ 889,452,295.61

MULTI-FAMILY HOUSING NOTES PAYABLE

2016 (Garden City Apartments)	\$ 15,767,525.59
2016 (Gateway at Hutchins Apartments)	\$ 27,123,500.00
2016 (Mercantile Apts)	\$ 29,243,054.87
2018 (Preserve at Hunters Crossing)	\$ 13,000,000.00
2019 (Ventura at Hickory Tree)	\$ 28,100,000.00
2020 (Reserves at San Marcos)	\$ 41,000,000.00

Total Notes Outstanding \$ 154,234,080.46

Bonds/Notes Rated in the Highest Category (Aaa OR AAA) \$ 339,134,394.67

Bonds/Notes NOT Rated in the Highest Category (Aaa OR AAA) \$ 704,551,981.41

Report Item

1

AUDIT AND FINANCE COMMITTEE REPORT REQUEST

INTERNAL AUDIT DIVISION

December 10, 2020

Presentation and discussion of Internal audit review of the Implementation Status of Prior Audit Findings and Recommendations.



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Greg Abbott
GOVERNOR

BOARD MEMBERS
Leo Vasquez, Chair
Leslie Bingham, Vice Chair
Paul A. Braden, Member
Ajay Thomas, Member
Sharon Thomason, Member

October 30, 2020

Writer's direct phone # 512.475.3813
Email: mark.scott@tdhca.state.tx.us

To: Board Members of the Texas Department of Housing and Community Affairs ("TDHCA")

RE: Internal Audit Report on the Implementation Status of Prior Audit Recommendations,
Report # 20-007

Dear Board Members,

The TDHCA Fiscal Year 2020 Internal Audit Plan provides for a review of the implementation status of prior audit recommendations. The purpose of this report is to provide information regarding the status of management's efforts to address issues and recommendations noted during both internal and external audit work.

SCOPE AND METHODOLOGY

Our follow-up work covers TDHCA Office of Internal Audit (OIA) open findings and related recommendations made in audit reports dated through December 31st, 2019. An open finding is defined as a finding that was not completely addressed, or for which further action was still required, at the time of this review.

BACKGROUND

The TDHCA undergoes internal and external audits on a regular basis. Internal audits and external audits and reviews may include findings and associated recommendations that require follow-up to ensure that the issues identified during the audits have been addressed. External audits by the State Auditor's Office and federal oversight agencies may also include either formal findings or informally communicated issues that require follow-up. The Institute of Internal Auditors Standards state that "the chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management. The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.”(I.A Standards, IPPF 2500.A1 through 2600)

The following report provides an inventory of internal and external audits, and the related open findings. Findings that have been fully implemented will not be carried forward for future follow up activities.

Internal Audit reports addressed during this follow-up project include:

A. Audit reports with carry-over open findings that were outstanding as of the follow-up report dated August 2019:

1. Internal Audit review of the Low-Income Housing Tax Credit Program, Report # 17-003

For detailed status of each Internal Audit finding and recommendation see **Appendix A**.

B. Internal Audits reports issued between January and December of 2019:

1. Internal Audit Review of TDHCA’s Licensing, Inspection, and Outreach for Migrant Labor Housing, Report # 19-002
2. Internal Audit of the Public Information Request (PIR) function, Report # 19-003
3. Internal Audit of the Construction Cost Certification function, Report # 19-004
4. Internal Audit of the Performance Measures, Report # 19-005
5. Internal Audit of the Complaint Resolution Process, Report # 19-006
6. Internal Audit Follow up Review of the Migrant Labor Housing Facilities, Report # 19-008
7. Internal Audit of the Enforcement Committee, Report # 19-009

For detailed status of each Internal Audit finding and recommendation see **Appendix B**.

External audits

External audits and reviews of TDHCA are conducted by the State auditor’s Office (SAO), the Comptroller’s Office, the Sunset Commission, and other oversight agencies. They are also conducted by Federal Funding agencies, and their various departments such as Inspector General’s Office and program monitoring. Both State and Federal audits track the status of findings related to TDHCA.

CliftonLarsonAllen LLP (CLA)

Low Income Home Energy Assistance Program (LIHEAP), Report No 20-317

For award year October 1, 2018 to September 30, 2019 (Award number – G-1901TXLIEA), TDHCA did not accurately report LIHEAP Performance Data Form, as required under OMB No 0970-0449. Incorrect reporting was due to transcription and calculation errors as data was manually transcribed onto the LIHEAP Performance Data Form.

TDHCA staff have requested automation of the query of the data and implementation of tiered review prior to the submission of next year LIHEAP Performance Data Report. Final reported figures will be verified by the Team Lead and Manager of Fiscal & Reporting prior to submission.

This finding has been closed based on management assertion.

State Auditor Office (SAO)

Audit of Regulatory Activities at the Manufactured Housing (MH) Division, Report # 20-002

The Manufactured Housing Division is administratively attached to TDHCA. It is tasked with regulating the manufactured housing industry in Texas to ensure that manufactured homes are well constructed and safe, that homes are installed correctly, and that consumers are provided fair and effective remedies.

For regulatory activities between September 1, 2017, through March 31, 2019 the manufactured housing division did not have adequate controls to ensure that inspectors conducted installation inspections as required and entered accurate installation information into its tracking system.

According to management assertion all of the findings from this report have been implemented. The SAO may conduct a follow up review of this audit at some point.

We like to express our appreciation to TDHCA management, MH division, and staff for their courtesy and cooperation during this work.

Sincerely,

Mark Scott

Mark E. Scott, CPA, CIA, CISA, CFE, MBA
Director of Internal Audit

Cc: Bobby Wilkinson, Executive Director
Beau Eccles, General Counsel
Jeff Pender, Deputy General Counsel
David Cervantes, Director of Administration
Brooke Boston, Deputy Executive Director of Programs
Homero Cabello, Deputy Executive Director of Program Controls and Oversight
Joe Garcia, Executive Director of Manufacture Housing
Elizabeth Yevich, Director of Housing Resource Center
Rosario Banuelos, Director of MF Asset Management
Cate Tracz, Manager of Fair Housing
Cody Campbell, Manager of Physical Inspections
Patricia Murphy, Director of Compliance

Appendix A

STATUS OF INTERNAL AUDIT RECOMMENDATIONS AS OF SEPTEMBER, 2020

1) Audit Report # 17-004

Internal Audit of Low Income Housing Tax Credit (LIHTC) Program, Report issued on June 5th, 2017

OIA Findings and Recommendations:

- The division should develop a Standard Operating Procedures (SOP)
- Management should implement a filing system that includes consistent sub-files and verification of posted information

Management's response and reported status:

Management accepted the risk and requested that the finding be closed

Findings are closed

Appendix B

STATUS OF INTERNAL AUDIT RECOMMENDATIONS AS OF SEPTEMBER, 2020

1) Audit Report # 19-002

Internal Audit Review of TDHCA's Licensing, Inspection, and Outreach for Migrant Labor Housing, Report issued March 12, 2019

OIA Findings and Recommendations:

- I. OIA recommends that TDHCA maintain a manager level point of contact to serve as liaison between TDHCA and MHD, and to monitor the effectiveness and progress of the program.
- II. All licenses should be supported by valid inspections, and evidence of re-inspections and follow ups (as needed).
- III. The inspection form should include a signature line for the representative of the facility to sign along with inspector's signature, acknowledging that the non-compliant item (s) will be corrected.
- IV. The inspector, or the Department, should provide the facility's representative with a report indicating non-compliant items shortly after the inspection.
- V. Management should study how to evaluate occupancy during inspections. The number of rooms and shower facilities required for summer cotton harvesting will differ from what is required for truck driver' sleeping quarters, for example.
- VI. The program should monitor inspectors' reported hours and travel expenses to ensure that the correct codes and hours are being reported for migrant labor inspection related activities.
- VII. OIA recommends that the logo be revised to include contact information of the Department for any questions and concerns, and additional information such as "Licensed Migrant Labor Housing Facility".

Management's response and reported status:

- I. The previous point of contact retired in July of this year, and the responsibility was assigned to the Manager of Physical Inspections in the Compliance division. Information Systems is currently developing a new database system for the management of licensees and outreach contacts which is substantially alter roles and oversight of the program. The MOU will be reevaluated once the new system is in place.*
- II. For 30 days following the audit, management reviewed each file after the license was issued to ensure that all requirements were met and that the proper documentation was in the file. Following that, a quality control review is performed each month by management on 10 applications processed the previous month.*
- III. The inspection form was modified to include a signature line for the representative of the facility to sign.*
- IV. Following each inspection, the representative of each facility is provided with a copy of the inspection report if non-compliant items were noted.*

- V. *The list of facilities published on the Department's website now includes each facility's capacity. The Department will consider if a new occupancy standard is feasible during the next rule making cycle, which is Summer of 2021.*
- VI. *Due to the pandemic, several staff members from the Physical Inspections division have been assigned work which relates to the Migrant Housing program. These staff members have been directed to accurately report their time working on the program, and the Physical Inspections manager reviews these entries for accurate reporting. In addition, the TDHCA point of contact has requested monthly expenditure reports from accounting and will begin reviewing these once they are received.*
- VII. *The Department has revised §90.6 to require facility owners to post a poster with TDHCA contact information in at least one conspicuous location in a facility or in at least one building per site for a scattered site facility. Compliance is also currently working with DPPA to explore the feasibility of changing the logo or creating a new marketing tool which would include contact information.*

The recommendations have been implemented for findings II, III, and IV.

According to management, no further actions needed for findings I, V, VI, and VII. These items might be re-evaluated by Internal Audit during subsequent reviews.

2) Audit Report # 19-003

Internal Audit of the Public Information Request (PIR) function, Report issued January 9, 2019

OIA Finding and Recommendation:

- I. No current SOPs.
- II. The PIR database includes records that need to be deleted to meet compliance with this requirement. Any PIRs prior to November 2016, which exceed the allowable Record Retention period, should be deleted from the TDHCA PIR database.
- III. The dropdown menu in the PIR database input tab does not contain completely accurate or relevant PIR nature/type choices
- IV. PIR database user list has many names on it with no rights. PIR should review the current PIR database user list and update to hold current users only, removing those who no longer are.
- V. The responsive documents vary substantially in length and content.
- VI. PIR files are in several directory file locations

Management's response and reported status:

- I. *SOP for PIRs was finalized and signed June 2019.*
- II. *Request was made to TDHCA Records Manager, Janet Ellis, in September 2019, to delete PIR records according to the findings of the Internal Audit and records were deleted.*
- III. *Legal is still working with IS on this task. We anticipate completing this by 12/31/2020.*
- IV. *PIR Database User List was streamlined by December 2019.*
- V. *Management decided that this recommendation does not work for PIR. The law requires that we produce all documents that are responsive to a request except for certain*

acceptable redactions and privileged information. Accordingly, we are not able to control the length or content of what we produce. If public documents in our possession are responsive, we produce them regardless of length or content. Also, it is not possible to determine whether the documents we produced are all of the documents responsive. Generally, the requestor will point this out, or we seek clarification from the requestor if we are uncertain of the scope of the request. This process insures the completeness of our responses in whatever scope that is dictated by parameters the PIR itself, which have ranged from one single document to thousands of documents.

- VI. *This finding questions whether it might be better to separate files into archive files and active files. That would be appropriate if closed files were no longer relevant, but that is not the case. The PIR division liaisons refer to them often in responding to new requests. More relevant, however, we need to make certain files available to the liaisons on the Q:drive and keep other files available only within the legal division on the T:drive. That is why we put appropriate some PIR files on the T:drive (Legal only) and others on the Q:drive (agency wide access). Accordingly no additional work is needed to meet this finding.*

Findings are closed

3) Audit Report # 19-004

Internal Audit of the Construction Cost Certification Process, Report Issued June 19, 2019

OIA Finding and Recommendation:

OIA recommends that Asset Management require developers to verify CPA firm's licenses validity, including any restrictions, before hiring the firm to perform the audit.

Management's response and reported status:

A revised Owner's Statement of Certification was added to the Cost Certification application in August of 2019. Under the new Certification, the Development Owner affirms that it verified that the CPA's firm license was in good standing and satisfied any restrictions placed upon the CPA's firm practice by any licensing board before the CPA firm performed the audit.

The recommendation has been implemented and finding is closed.

4) Audit Report # 19-005

Internal Audit of the Performance Measures, Report Issued September 13, 2019

OIA Findings and Recommendations:

- I. Management should develop written policies and procedures and consistent records to be kept at the division level.
- II. Management should require review of the performance measure reports, controls and procedures to ensure accuracy in reporting.
- III. Management should strengthen written policies and procedures to be reviewed and standardized for performance measure preparation.

Management's response and reported status:

- I. *Effective January 17, 2020, SOP 1400.01 "Performance Measure Updates" has been revised to require that divisions develop and maintain written policies and procedures, addressing how backup information will be kept. SOP 1400.01 is attached to this response.*
- II. *Effective January 17, 2020, SOP 1400.01 has been revised to require review of the performance measure reports, controls and procedures to ensure accuracy in reporting. Further, a template has been created to assist divisions with documenting the review process for Performance Measure reports. FHDMMR has reviewed all written policies and procedures received to date from divisions. The "Template for Performance Measures Policies and Procedures for Liaisons" is attached to this response.*
- III. *Effective January 17, 2020, SOP 1400.01 has been revised to strengthen written policies and procedures. Further, as referenced in SOP 1400.01, a template has been created to assist divisions with review and standardization of performance measure preparation. FHDMMR has reviewed all written policies and procedures received to date from divisions.*

All recommendations have been implemented and findings are closed

5) Audit Report # 19-006

Internal Audit of the Complaint Resolution Process, Report issued August 15, 2019

OIA Findings and Recommendations:

- I. OIA recommends that HRC add the requirements of Rule §1.2.c4 to their SOP to ensure compliance with all applicable rules and regulations.
- II. OIA recommends that TDHCA enhance the Complaint Submission System's capabilities to provide complainant with an auto response email confirming receipt of complaint along with language regarding expected time frame for a response from staff. TDHCA should consider adding an upload / attachment feature to the Complaint Submission System so supporting documents can be uploaded by complainants for efficiency.
- III. OIA recommends that TDHCA improve its documentation and record keeping of any information related to public complaints

Management's response and reported status:

- I. *SOP 1270.05 was updated on 9/13/2019 in accordance with recommendations approved at the Audit & Finance Committee of the September 5, 2019 Board meeting.*
- II. *HRC and Compliance staff have been in discussions with the TDHCA's IS division on improvements to the Complaint Submission System as recently as 8/13/2020. This improvement project is still in-process and expected to be until late 2020.*
- III. *The COVID-19 pandemic has altered plans for in-person meetings however, Quarterly Complaints Analysis Updates have been sent out on schedule from HRC to all applicable program/division staff. In addition and upon quarterly request, HRC has supplied FHDMMR with requested Complaint Data for Q1, Q2, and Q3 2020 for the Activity Report (previously known as High Level Report).*

The recommendations have been implemented for findings I and III. Findings II remains open.

6) Audit Report # 19-008

Internal Audit Follow up Review of the Migrant Labor Housing Facilities, Report issued August 23, 2019

No Findings

7) Audit Report # 19-009

Internal Audit of the Enforcement Committee, Report issued November 8, 2019

OIA Findings and Recommendations

- I. OIA recommends that the Enforcement Committee establish Standard Operating Procedures to address internal procedures that would ensure consistency and reliability of the operation for the Committee.
- II. OIA recommends that the Department establish a procedure in which a secondary individual will be cross trained and assigned as the backup for the Secretary.

Management response and reported status:

- I. *The committee decided to promulgate its operating procedures in the form of additions to the current enforcement rule because they affect the rights of outside parties. The rule additions are part of the amendments to the enforcement rule going before the Board for publication in the Texas Register on November 5th. A final adoption should occur early next year.*
- II. *Considering the amount of turnover in the Legal Division in the last year, we have run out of people to cross train and have come to the conclusion it would be best to develop a "How To" manual that a person could refer to get up to speed quickly. The Secretary is completing a detailed manual on how to do the job of the Secretary of the Committee. The manual is about 50% complete and should be done on or about year end. It would include such things as meeting procedures, contacts, tracking sheets, databases, forms, etc.*

All recommendations have been implemented and findings are closed

Report Item

2

AUDIT AND FINANCE COMMITTEE REPORT REQUEST

INTERNAL AUDIT DIVISION

December 10, 2020

Presentation and discussion of the Internal Audit Annual Report FY 2020



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Greg Abbott
GOVERNOR

BOARD MEMBERS
Leo Vasquez, Chair
Leslie Bingham, Vice Chair
Paul A. Braden, Member
Ajay Thomas, Member
Sharon Thomason, Member

October 30, 2020

Writer's direct phone # 512.475.3813
Email: mark.scott@tdhca.state.tx.us

State Auditor's Office
Robert E. Johnson Building
1501 North Congress Avenue, Suite 4.224
Austin, TX 78701

RE: ANNUAL INTERNAL AUDIT REPORT FOR FISCAL YEAR 2020

Internal Audit Coordinator:

The attached report on the activities of the Texas Department of Housing and Community Affairs' (the Department) Internal Audit Division (Division) for Fiscal Year 2020 fulfills the requirements of the Texas Internal Auditing Act (Texas Government Code, Chapter 2102). The purpose of this report is to provide information on the benefits and effectiveness of the Department's internal audit function as well as on our compliance with House Bill 16. In addition, the annual report assists oversight agencies in planning their work and coordinating their efforts.

During Fiscal Year 2020, the work of the Division contributed to an increase in the effectiveness of the Department's operations. In addition, the Department underwent other audits and reviews by its external auditors, oversight agencies and funding source agencies.

Our internal audit work plan for Fiscal Year 2021 will be presented to the Department's governing board for approval at the December 10, 2020 Board meeting. A draft copy of the 2021 audit work plan is included in the attached report. Both the fiscal year 2021 audit work plan and this report will be posted to the Division's internet web page as required by House Bill 16 (after board approval of annual audit plan). We appreciate the opportunity to provide this information. If you have any questions about this report, please contact me at (512) 475-3813.

Sincerely,

Mark Scott

Mark Scott, CPA, CIA, CISA, CFE, MBA
Internal Audit Director



RE: ANNUAL INTERNAL AUDIT REPORT FOR FISCAL YEAR 2020

October 30, 2020

Page 2

cc: Bobby Wilkinson, Executive Director
Sarah Hicks, Governor's Office of Budget, Planning and Policy
Christopher Mattsson, Legislative Budget Board
Jennifer Jones, Sunset Advisory Commission
Internal Audit Coordinator, State Auditor's office

**Texas Department of Housing and Community Affairs
Internal Audit Annual Report – Fiscal Year 2020**

Table of Contents

- I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Web site
- II. Internal Audit Plan for Fiscal Year 2020
- III. Consulting Services and Nonaudit Services Completed
- IV. External Quality Assurance Review (Peer Review)
- V. Internal Audit Plan for Fiscal Year 2021
- VI. External Audit Services Procured in Fiscal Year 2020
- VII. Reporting Suspected Fraud, Waste, and Abuse

**Texas Department of Housing and Community Affairs
Internal Audit Annual Report – Fiscal Year 2020**

I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on Internet Web Site

The Internal Audit Division’s internet web page (<http://www.tdhca.state.tx.us/internal-audit.htm>) includes:

- An overview of the Internal Audit Division and its mission statement,
- The Internal Audit Division’s most recent peer review (October 2017),
- Standards, statutes and rules governing the operation of the Internal Audit Division:
 - Texas Government Code Chapter 2102: Texas Internal Auditing Act (www.statutes.legis.state.tx.us),
 - Texas Government Code 2306.073: Internal Audit (www.statutes.legis.state.tx.us),
 - Internal Audit Charter (updated June 2018), and
 - Internal Audit Board Resolutions (amended January 2014),
- Internal Audit Annual Plan for Fiscal Year 2021 (Pending Board approval)¹,
- Internal Audit Annual Report for Fiscal Year 2020, and
- Internal Audit Reports.

Findings noted while performing the Fiscal Year 2020 audit plan are included in the respective Fiscal Year 2020 audit reports. The actions taken by the agency to address the noted concerns are also included in those reports.

II. Internal Audit Plan for Fiscal Year 2020

Project / Audit Title	Report Number	Completed	Report Date
Multifamily Revenue Bond (Carry over from FY 2019)	20-001	Yes	March 13, 2020
TDHCA Continuity of Operations Plan (COOP)	20-002	No	In Reporting Phase
Purchasing function at TDHCA	20-003	Yes	May 29, 2020
Section 811 Project Rental Assistance Program	20-004	Yes	June 01, 2020
Physical Inspection Section of TDHCA Compliance Division	20-005	Yes	August 14, 2020
Section 8 Program	20-006	Yes	August 20, 2020

**Texas Department of Housing and Community Affairs
Internal Audit Annual Report – Fiscal Year 2020**

Follow up Audit of prior audit findings and recommendations	20-007	Yes	October 30, 2020
Annual Self-Assessment	20-008	No	In Fieldwork phase

III. Consulting Engagements and Non-audit Services Completed

Consulting Project Related to Subrecipient Monitoring

This project has included regular meetings for the Internal Audit Director to provide management with advice on Single Audits (formerly referred to as A-133 audits) of TDHCA subrecipients. The group meets, as needed, to go over single audits that have findings and/or other issues, and to prepare the management responses to the audits that are required by the Single Audit Act.

Coordination of External Audit Activities

There have been several external audits and monitoring reviews of TDHCA during the past year, and the Office of Internal Audit provides coordination services during the course of these audits. The most recent audits were the SAO audits of the TDHCA’s Annual Financial Statements, Annual audit of bond activity and compliance with Public Investment act, and SAO audits of HUD data, including an “in relation to” financial data audit and an internal control audit. In addition, CliftonLarsonAllen LLP (CLA), performed audits of Low Income Housing Energy Assistance Program (LIHEAP) and Community Services Block Grant (CSBG).

IV. External Quality Assurance Review (Peer Review)

The Department’s Internal Audit Division received its most recent peer review in Fiscal Year 2018. The peer review was started in September 2017 and completed in October 2017. The following excerpt is from the executive summary of that report.

“It is our overall opinion that the Internal Audit Department at TDHCA generally conforms to the IIA’s Standards and the Code of Ethics for the period of January 1, 2016 through September 30, 2017. There were no opportunities for improvement identified that would be considered reportable items.

The IIA’s quality Assessment Manual for the Internal Audit Activity suggests a scale of three rankings when opining on the internal audit activity: “Generally Conforms,” “Partially Conforms,” and “Does Not Conform.” The ranking of “Generally Conforms” means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards and the Code of Ethics.

**Texas Department of Housing and Community Affairs
Internal Audit Annual Report – Fiscal Year 2020**

The Internal Audit Department is independent, objective and has unrestricted access to systems and records. The Internal Audit management and staff are professional and possess the appropriate skills to effectively perform their audits. Internal Audit projects are effectively executed and results are communicated timely.”

V. Internal Audit Plan for Fiscal Year 2021 (Pending Board Approval)

Activity/Program/Division	Comments
Housing Resource Center (HRC)	The specific project objective(s) and scope will be determined by the detailed assessment of relative risks identified during the project planning process.
Tenant Selection / Affirmative Marketing Plan	
Multifamily Direct Loan / Loan Document Preparation and Routing	
Management of Non-performing loans	
Ending Homelessness and Homeless Housing and Services Program (HHSP)	
Physical Inspection	Physical Inspection section of Compliance Monitoring Division was selected for Audit during FY20, and the report was issued on August 14, 2020. However, due to limitation imposed by COVID19 pandemic, this unit will be reviewed more comprehensively during FY21.
Management Requests or Special Projects	As requested
Duties related to Fraud, Waste, and Abuse allegations	Internal Audit is responsible for reviewing allegations of fraud, waste and abuse.
Prior Audit Issues Tracking, Follow Up and Disposition	Required by the Audit Standards
Annual Risk Assessment and Audit Plan Development	Required by the Audit Standards and the Texas Internal Auditing Act
Continuing Professional Education and Staff Development	Required by the Audit Standards
Quality Assurance Self-Assessment Review	Required by the Audit Standards
Coordination with External Auditors and Oversight Agencies	Ongoing requirement
Preparation and Submission of the Annual Internal Audit Report	Required by the Texas Internal Auditing Act
Annual Review and Revision of Internal Audit Charter	Required by the Audit Standards

The audit plan is a dynamic document that may change during the fiscal year as circumstances change. Requests from management, changes in audit resources and changes in the agency’s organization or operations could result in changes to the plan. Significant changes will be presented to management, the Audit and Finance Committee and the Governing Board for review and approval.

Texas Department of Housing and Community Affairs Internal Audit Annual Report – Fiscal Year 2020

The audit plan was developed utilizing a risk-assessment matrix, and input from stake-holders. The auditable units such as programs, divisions of the organization, and administrative functions, were risk-ranked according to attributes such as dollar size of unit, fraud risk, and complexity of operations. The highest ranked auditable units were selected for audit. There are no internal audit projects specifically focused on Senate Bill 20 Provisions. However, the Audit of *Physical Inspection* may include review of large contracts in its scope.

The budgeted hours for all projects are based on two staff auditors and the Director of Internal Audit.

VI. External Audit Services

In Fiscal Year 2020, external audit services were procured from and provided by the State Auditor's Office. These services included an audit of the Department's Annual Financial Report and Computation of Unencumbered Fund Balances.

VII. Reporting Suspected Fraud, Waste, and Abuse

The Department's home page (www.tdhca.state.tx.us) has an active link to the State Auditor's Office's fraud, waste and abuse hotline, as well as the hotline phone number for the State Auditor's Office.

The Department has policies and procedures in place to report suspected fraud, waste and abuse to the State Auditor's Office as required by the Texas Government Code, Section 321.022. The Executive Director is responsible for deciding, based on input from others, whether an incident warrants investigation, and is also responsible for the decision as to whether or not an incident should be reported to the State Auditor's Office. The Internal Auditor is responsible for investigating such incidents as requested by the Executive Director and as approved by the Chair of the Audit and Finance Committee. The Internal Auditor is also responsible for consulting with the general counsel or ethics advisor about whether an incident meets the "reasonable cause to believe" criterion for reporting an incident to the State Auditor's Office and for advising the executive director as appropriate. All Department employees are also responsible for reporting to their division directors any incidents or matters of which they become aware that may require a report to the State Auditor's Office.

The Department regularly reports cases of suspected fraud, waste and abuse to the State Auditor's Office in addition to the Department's other oversight agencies such as the Department of Housing and Urban Affairs' Office of the Inspector General, the Department of Energy's Office of the Inspector General, and the Department of Health and Human Services' Office of the Inspector General.

**Texas Department of Housing and Community Affairs
Internal Audit Annual Report – Fiscal Year 2020**

ⁱ The Internal Audit Annual Plan for Fiscal Year 2021 will be posted on Division's internet web page after Board approval on December 10, 2020.

Report Item

3

AUDIT AND FINANCE COMMITTEE REPORT REQUEST

INTERNAL AUDIT DIVISION

September 3, 2020

Report on the status of the Internal Audit and External Audit activities

Verbal Report