

AUDIT COMMITTEE MEETING

July 30, 2015

Leslie Bingham-Escareño, Chair



**TEXAS DEPARTMENT OF
HOUSING & COMMUNITY AFFAIRS**
Building Homes. Strengthening Communities.

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

**AGENDA
8:30 AM**

JULY 30, 2015

**JOHN H. REAGAN BUILDING
ROOM JHR 140
105 W. 15TH STREET
AUSTIN, TEXAS**

CALL TO ORDER, ROLL CALL

Leslie Bingham-Escareño, **Chair**

CERTIFICATION OF QUORUM

Leslie Bingham-Escareño, **Chair**

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

ITEM 1: Presentation, Discussion, And Possible Action To Approve The Audit Committee Minutes Summary For April 16, 2015

Mark Scott
Director of Internal Audit

ITEM 2: Presentation, Discussion, And Possible Action To Approve The Update Of the Fiscal Year 2015 Internal Audit Work Plan

Mark Scott
Director of Internal Audit

ITEM 3: Report on Survey of Internal Control and Assurance Activities at TDHCA

Mark Scott
Director of Internal Audit

REPORT ITEMS:

Mark Scott
Director of Internal Audit

1. Presentation and Discussion of the Status of External Audits, Reviews or Monitoring Activities
 - a) Gartner Report on Information Systems
 - b) HUD Review of Section 8 Housing
 - c) KPMG – Audit of Single Family HOME program
 - d) Various Routine Federal OIG Investigations
 - e) Other external audit activity, if any
2. Presentation and Discussion of the Status of the Fraud, Waste, and Abuse Hotline and Other Fraud Complaints.
 - a) Update on renewal of contract with Networks (Netclaims)
 - b) Update on the process of updating the TDHCA website
 - c) Update on complaints of fraud, waste or abuse in Fiscal Year 2015.

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, Texas Government Code, Chapter 551 and under Texas Government Code, §2306.039.

1. Pursuant to Texas Government 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.
2. Pursuant to Texas Government 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.
3. Pursuant to Texas Government 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 Texas Government Code, Chapter 551.
4. Pursuant to Texas Government 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 the auxiliary aids, services or sign language interpreters for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two (2) days before the meeting so that appropriate arrangements can be made.

Non-English speaking individuals who require interpreters for this meeting should contact Annette Cornier 512-475-3803 at least three (3) days before the meeting so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Annette Cornier al siguiente número 512-475-3803 por lo menos tres días antes de la junta para hacer los preparativos apropiados

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AUDIT COMMITTEE ACTION REQUEST

BOARD SECRETARY

July 30, 2015

Presentation, Discussion, and Possible Action on the Audit Committee Meeting Minutes Summary for April 16, 2015.

RECOMMENDED ACTION

RESOLVED, that the Audit Committee Meeting Minutes Summary for April 16, 2015 are hereby approved as presented.

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

On Thursday, April 16, 2015, at 8:30 a.m. the meeting of the Audit Committee (the “Committee”) of the Governing Board (the “Board”) of the Texas Department of Housing and Community Affairs (the “Department”) was held in the Ric Williamson Hearing Room at 125 E. 11th Street, Austin, Texas. Leslie Bingham-Escareño presided over the meeting and Mark Scott served as secretary. All three members of the Committee were in attendance: Leslie Bingham-Escareño, Tom Gann, and Tolbert Chisum.

Upon motion of Tom Gann, duly second by Tolbert Chisum, the minutes of the January 15, 2015, meeting of the Committee were adopted as presented.

Mr. Scott gave a brief summary of the Audit Report #15-004 on Payroll Processes and the Audit Report #15-005 Records Retention. No action was required from the board.

Mark Scott provided an update on audit activity and he described the status of the Internal Audit work plan and the status of the consulting engagement to assist the Department Compliance staff in addressing A-133 audit issues.

Leslie Bingham and Mark Scott discussed the possibility of Mark Scott preparing a referral process that would allow TDHCA to report inaccurate and insufficient A-133 audits, that have been prepared by CPAs, to the State Board of Public Accountancy.

Mark Scott reported on the status of the 2015 Audit plan and that currently there were no external audits being conducted.

Mark Scott provided an update on reports of suspected fraud, waste, and abuse. The report of the numbers was in an updated chart format. Also discussed was the opportunity for TDHCA to update the website with information to clarify and assist the stakeholders with information on the appropriate agency to funnel the complaint too. Mr. Chisum had questions about the billing process of each complaint call, and Mr. Scott explained the process. Internal Audit is working with the vendor on updating the information being received at the intake of the call and also on the upcoming possible renewal of the contract.

Ms. Patricia Murphy and Mr. Tim Irvine discussed the value added with Mr. Mark Scott and his team assisting the Compliance Program with the review of the A-133’s. The Department does have a single audit rule in our Texas Administrative Code, and we are finding issues that are not addressed in the single audits that are received. Mr. Scott and Ms. Murphy are discussing about a possible amendments to the rule to include other items to be included with the yearly A-133 reports.

There being no further business to come before the Committee, the meeting was adjourned at 9:00 a.m.

_____ Leslie Bingham-Escareño, Chair

_____ Mark Scott, Audit Committee Secretary

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AUDIT COMMITTEE ACTION REQUEST

BOARD SECRETARY

July 30, 2015

Presentation, Discussion, and Possible Action on the update of the Fiscal Year 2015 Internal Audit Work Plan

RECOMMENDED ACTION

The Internal Audit Work Plan for Fiscal Year 2015 was approved by the audit committee and by the board on October 9, 2014. This presentation requests the approval from the Audit Committee on the updated FY2015 Audit Plan.

Additional Audit Activities to be added to the FY2015 Audit Plan

Internal Audit has been assisting the Compliance Division with the review of A-133 Audits

- We request that the Audit Committee approve the addition of the Consulting Activities to the FY2015 Audit Plan.

Internal Audit was asked by Board Chairman Oser and Audit Committee Chair Bingham-Escareño to survey the agencies Internal Controls and assurance functions, due to the recent organizational restructuring.

- We request that the Audit Committee approve the addition of the Management Letter Report on Survey of Internal Control and Assurance Activities to the FY2015 Audit Plan.
- We will be presenting the Management Letter #15-006 Report on Survey of Internal Control and Assurance Activities during this Audit Committee meeting.

Requesting the Deletion of Audit from the Fy2-15 Internal Audit Plan

The Audit of the HOME Program –Single Family which was a Carry Over from FY2014 Audit Plan, has been delayed because KPMG is currently conducting an audit of this program.

- We request that the Audit Committee approve the removal of Audit of the HOME Program –Single Family from the FY2015 Audit Plan.

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AUDIT COMMITTEE REPORT ITEM

INTERNAL AUDIT DIVISION

JULY 30, 2015

PRESENTATION AND DISCUSSION OF INTERNAL AUDIT ACTIVITIES

Management Letter #15-006 Report on Survey of Internal Control and Assurance Activities at TDHCA

Oral Report

REPORT ITEMS

AUDIT COMMITTEE REPORT ITEM

INTERNAL AUDIT DIVISION

JULY 30, 2015

**1. PRESENTATION AND DISCUSSION OF THE STATUS OF EXTERNAL AUDITS,
REVIEWS OR MONITORING ACTIVITIES**

- a) Gartner Report
Oral Report
- b) HUD Review of Section 8 Housing
Oral Report
- c) KPMG Audit of Single Family HOME program
Oral Report
- d) Various Routine Federal OIG Investigations
Oral Report
- e) Other external audit activity, if any
Oral Report

**2. PRESENTATION AND DISCUSSION OF THE STATUS OF THE FRAUD, WASTE,
AND ABUSE HOTLINE AND OTHER FRAUD COMPLAINTS.**

- a) Update on renewal of contract with Networks (Netclaims)
Oral Report
- b) Update on the process of updating the TDHCA website to assist with the efficiency of the Fraud, Waste and Abuse information.
Oral Report
- c) Update on complaints of fraud, waste or abuse in Fiscal Year 2015
Oral Report

**The Internal Audit Division received
205 complaints of fraud, waste or abuse in Fiscal Year 2015
(as of June 30, 2015)**

187 complaints were received through our Fraud, Waste and Abuse Hotline	6 were related to the Department's programs or staff:				181 of the allegations were not related to the Department's programs or staff. These callers were directed to the appropriate entity for assistance, e.g., law enforcement or the respective public housing authority.
	Tax Credits 3	HOME 1	Manufactured Housing 1	Personnel 1	
18 complaints were received from other sources	6 were related to the Department's programs:				12 were not related to the Department's programs or there was sufficient information to determine if the allegation related to a Department program or division.
	Tax Credits 2	Section 8 2	Neighborhood Stabilization Program 1	CSBG 1	