

TEXAS STATE AFFORDABLE HOUSING CORPORATION

AUDIT COMMITTEE MEETING

TSAHC Offices
2200 East Martin Luther King Jr. Blvd.
Austin, Texas 78702

Thursday,
June 12, 2014
10:04 a.m.

BOARD MEMBERS:

GERRY EVENWEL, Chair
WILLIAM H. DIETZ, JR., absent

JERRY ROMERO
DAVID LONG
MELINDA SMITH

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1
2 MR. EVENWEL: The Audit Committee of the Texas
3 Affordable Housing Corporation, will meet in public to do
4 the following. And I will start out with saying, is there
5 any public comment?

6 (No response.)

7 MR. EVENWEL: Seeing none, I will call the
8 roll. Bill Dietz.

9 (No response.)

10 MR. EVENWEL: Gerry Evenwel. I am here. And
11 Jerry Romero, alternate member.

12 MR. ROMERO: Here.

13 MR. EVENWEL: David Long.

14 MR. LONG: Here.

15 MR. EVENWEL: And Melinda Smith.

16 MS. SMITH: Here.

17 MR. EVENWEL: So the first thing we are going
18 to look at is the possible approval of the minutes for the
19 last Committee meeting, which was on December 12. Are
20 there any comments on the minutes?

21 (No response.)

22 MR. ROMERO: I move to approve as presented.

23 MR. EVENWEL: And I will second it. All in
24 favor say aye.

25 (Chorus of ayes.)

1 MR. EVENWEL: Any nays?

2 (No response.)

3 MR. EVENWEL: Good. Approved. Present the
4 discussion of the selection of the next Independent
5 Financial Auditor.

6 MR. LONG: I am going to let Melinda present
7 this. Just for the Committee's record, just to remind the
8 Committee as a whole, that the financial auditor selection
9 is presented to the Audit Committee, and the formal
10 approval is done at the Audit Committee level. It does
11 not need to go up to the formal Board.

12 So when we make a -- we're looking at a staff
13 recommendation to you all. And then, we can answer any
14 questions you might have. And Melinda will go over it.

15 But once we make the decision here, we will
16 report it as an item to the Board under the Audit
17 Committee report. But we don't need to have the formal
18 Board approval at that point. Okay.

19 MS. SMITH: As you may recall, pardon me. My
20 name is Melinda Smith. As you may recall, our auditor has
21 retired. Don Mikeska, with Mikeska, Monahan and Peckham.
22 And they no longer have an audit practice, now that Mr.
23 Mikeska is gone.

24 So we issued an RFP for new auditors. And we
25 got five responses, all from really fine firms. I was

1 really happy with the response that we got. And all of us
2 in Accounting scored the different proposals.

3 And we are recommending to the Board that we
4 approve the firm of Maxwell, Locke and Ritter as our new
5 auditors. And I would be happy to answer any questions
6 you might have about the RFP.

7 MR. EVENWEL: They're a local Austin firm.
8 Right?

9 MS. SMITH: Yes, sir.

10 MR. EVENWEL: I mean, but they are not small.

11 MS. SMITH: No. They are a regional firm.
12 They have a rather large practice. And they have a
13 tremendous non-profit practice, but they are located in
14 Austin. And so, the team that would be doing our work
15 would be in Austin.

16 MR. ROMERO: Melinda, what is the primary
17 criteria that you guys used to determine which one of the
18 audit firms you want to use?

19 MS. SMITH: Well, we kind of used a variety of
20 things. We looked at their just being consistent with the
21 actual RFP itself. You know, did they follow the rules
22 that we set forth, and prepared the response the way we
23 asked for it.

24 We looked at the fee, of course. Their
25 experience with companies like us, and non-profits. Their

1 ability to do a single audit, to do governmental audits.
2 And we actually had a whole list of things that we looked
3 at. But those were the --

4 MR. ROMERO: Primary ones?

5 MS. SMITH: Oh, and also the 990. We were
6 interested in the tax return -- their ability to do that,
7 and just provide general consulting work on an ongoing
8 basis.

9 MR. ROMERO: Were all of these providers
10 similarly situated as far as experience and so forth?

11 MS. SMITH: Yes, sir.

12 MR. LONG: All very strong.

13 MS. SMITH: They really were. It was a strong
14 group.

15 MR. LONG: We were really pleased to have the
16 responses we got.

17 MR. ROMERO: Did you all give them a numerical
18 number, when it was all said and done?

19 MS. SMITH: I am sorry.

20 MR. ROMERO: A numerical number?

21 MS. SMITH: Yes. We did.

22 MR. ROMERO: What is the difference between the
23 firm that you all selected and the firm right before them
24 or after them.

25 MS. SMITH: The firm we selected, the total

1 points were the --

2 MR. LONG: Just the difference between --

3 MS. SMITH: Oh the difference.

4 MR. LONG: Nine.

5 MS. SMITH: Nine points.

6 MR. ROMERO: Okay. And how long have they been
7 in business?

8 MS. SMITH: Forever.

9 MR. LONG: We don't have an actual response.

10 MR. ROMERO: Okay.

11 MR. LONG: It was all of these firms -- to sum
12 up your question, Mr. Romero, I think the biggest thing we
13 looked at, taking all of the things from what Melinda
14 said, was capacity.

15 MR. ROMERO: Okay.

16 MR. LONG: And that capacity included anything
17 from doing our audit to our tax return, and everything in
18 between that we offer as programs and or financial needs
19 that we have to have oversight on. And that would include
20 the single audit, which for our HUD programs, we have
21 funding through, as well as our programmatic bond related
22 programs, and securities that we manage.

23 So it is a wide spectrum that they look at.

24 But the biggest way to answer that is, their capacity.

25 And I think the other thing that we really, really focused

1 on was experience. We wanted somebody that could come in
2 and hit the ground.

3 I mean, we have had the luxury of having the
4 same auditor through our RFP process, we have always been
5 able to -- they ranked high. And they knew us well after
6 many years of experience and working with us. So they had
7 seen some of these programs over the years grow, as well
8 as, they were around when some of these programs were
9 initiated.

10 So we wanted to make sure that while we
11 realized that we were going to have to have somebody kind
12 of train them, if you will, to get comfortable with our
13 programs, we wanted somebody who could hit the ground
14 running as much as possible in that capacity.

15 MR. ROMERO: Okay.

16 MS. SMITH: And to address your question about
17 how long they have been around, Jerry, I came here in
18 1980, and I believe they were in practice way back then.

19 MR. ROMERO: Where in the realm of lowest and
20 highest as far as price did they fall?

21 MS. SMITH: All the firms were pretty
22 consistent, remarkably, across the board. And they were
23 all very close. They were not the most expensive.

24 MR. ROMERO: They were not. They were not the
25 least expensive, either.

1 MS. SMITH: Correct.

2 MR. EVENWEL: So, do they charge on an hourly
3 basis, or will do your audit, and this is the price for
4 it?

5 MS. SMITH: It is based on, it is an hourly
6 rate, based on who is assigned to do the job. And they
7 did an estimate of who, you know, what different levels of
8 staff would be assigned to our job and estimated the fee
9 that way. How many hours it would take them.

10 MR. ROMERO: I would like to make a motion to
11 go ahead and accept the recommendation of staff to engage
12 the firm of Maxwell, Locke and Ritter, LLP to perform the
13 Corporation's audits, and accounting services for fiscal
14 year 2014, '15 and '16.

15 MR. EVENWEL: We have a second?

16 MR. LONG: I will second.

17 MR. EVENWEL: Good. All in favor, say aye.

18 (Chorus of ayes.)

19 MR. EVENWEL: Any nays?

20 (No response.)

21 MR. EVENWEL: Good. I was looking on the
22 internet. And I looked at Glassdoor and LinkedIn and
23 Greenlights and they got pretty high ratings from all of
24 them. INSIDE Public Accounting -- the best of the best
25 are on that list.

1 Just the last thing we are going to do is
2 review again our Committee guidelines that we worked on
3 last year at this time, too. But --

4 MS. SMITH: Yes. The Audit Committee
5 guidelines, per the guidelines, the Audit Committee is
6 required to approve them annually. And what we had --
7 what we are asking the Committee to do at this time is, we
8 had them approved in December, I think it was.

9 But we have so much going on. Since we only
10 have a few Audit Committee meetings each year, and the
11 audit is on the agenda in December and November, in that
12 area, we decided to move some of the other things that we
13 have to do to this time of the year, where we are not so
14 crowded on the agenda.

15 So that is why we are presenting the Audit
16 Committee guidelines for approval for the year. We
17 wouldn't bring them back again to -- unless you wanted us
18 to, until this time next year.

19 MR. EVENWEL: And I would assume these
20 guidelines were part of the RFP too, saying this is what
21 we expect.

22 MS. SMITH: Well, we use the guidelines as --
23 to assist us in preparing the RFP, and issuing that and
24 hiring the auditors. And we don't have any changes to the
25 Audit Committee guidelines from December. They are just

1 as they were.

2 It was one of the last things we asked Mr.
3 Mikeska to help us do, was review the guidelines to see if
4 there should be any changes, and we did not have any
5 changes. So we are asking the Committee to approve them
6 as they are.

7 MR. ROMERO: I move to approve the guidelines
8 as presented.

9 MR. LONG: Before we -- can I make a comment on
10 that? Again, on this -- under this scenario, this agenda
11 item would actually be a Board, a full Board approval. So
12 what we are basically doing at this point is, we are
13 approving that the Committee will recommend these to the
14 full Board for approval. That is correct. That is it.

15 MR. ROMERO: I will restate my motion.

16 MR. LONG: If you don't mind, that would be
17 helpful.

18 MR. ROMERO: I will restate my motion to read
19 that I would recommend that the Audit Committee present
20 these to the full Board for approval as presented.

21 MR. LONG: Okay. I will second.

22 MR. EVENWEL: All in favor, say aye.

23 (Chorus of ayes.)

24 MS. SMITH: Do we need public comment?

25 MR. EVENWEL: Never mind. Public comment?

1 (No response.)

2 MR. EVENWEL: Hearing none, shall we take the
3 vote again? All in favor, say aye.

4 (Chorus of ayes.)

5 MR. EVENWEL: Any nays?

6 (No response.)

7 MR. EVENWEL: It passed. Great.

8 MS. SMITH: Thank you.

9 MR. EVENWEL: So are they here to be
10 congratulated? Or will that come at a subsequent meeting?

11 MS. SMITH: Subsequent.

12 MR. LONG: We can have them show up sometime in
13 the near future.

14 MS. SMITH: Yes. They will be here to
15 introduce themselves. And they will be getting started,
16 coming out.

17 MR. EVENWEL: Not that we want their meter to
18 be running yet.

19 MS. SMITH: Yes. They will be here shortly.

20 MR. LONG: Mr. Evenwel, we don't have any
21 reason to go into closed meeting. The next Audit
22 Committee meeting will schedule in advance through the
23 full Board, making it known at the full Board meeting when
24 we need to have the meeting.

25 But typically, Melinda, unless you think there

1 is any reason to have a meeting, it probably won't end up
2 until being like in October, when we start the audit
3 process. Correct?

4 MS. SMITH: Right.

5 MR. LONG: October, November or December is
6 when we normally have the meetings again for the Audit
7 Committee. So other than that, Mr. Chairman, we will
8 leave it to whenever we can identify next.

9 MR. EVENWEL: This will be great, because then
10 the guidelines that we just approved, we have to meet
11 twice a year.

12 MS. SMITH: Right.

13 MR. EVENWEL: So we will actually probably meet
14 three times. Right?

15 MR. LONG: That is correct.

16 MR. EVENWEL: All right.

17 MR. LONG: Yes. So with that, we don't have
18 any other agenda items, Mr. Chairman.

19 MR. EVENWEL: I am going to close the meeting
20 then, right. And the time is 9:13 a.m. All done. Time
21 for doughnuts. Thank you.

22 (Whereupon, the meeting was concluded at 9:13
23 a.m.)

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MEETING OF: Texas State Affordable Housing Corporation
Audit Committee
LOCATION: Austin, Texas
DATE: June 12, 2014

I do hereby certify that the foregoing pages,
numbers 1 through 14, inclusive, are the true, accurate,
and complete transcript prepared from the verbal recording
made by electronic recording by Penny Bynum before the
Texas State Affordable Housing Corporation.

(Transcriber) 6/17/14
(Date)
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