

TEXAS STATE AFFORDABLE HOUSING CORPORATION

AUDIT COMMITTEE MEETING

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

Wednesday,  
September 14, 2011  
9:25 a.m.

COMMITTEE MEMBERS:

JO VAN HOVEL, Chair  
JERRY ROMERO  
DAVID LONG  
MELINDA SMITH

*ON THE RECORD REPORTING*  
*(512) 450-0342*

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PROCEEDINGS

MS. VAN HOVEL: 9:25, Jo Van Hovel. Audit Committee meeting is in session at this moment. Texas State Affordable Housing Corporation to be held at the offices of Texas State Affordable Housing Corporation, 2200 East Martin Luther King Jr. Blvd, Austin, Texas 78702.

And I can call our meeting to order at this time.

MR. LONG: Okay. You've got to do quorum. Do you have your roll call sheet there, Ms. Van Hovel?

MS. VAN HOVEL: I have a roll call.

MR. LONG: Okay. There you go.

MS. VAN HOVEL: We'll do the roll call before I declare a quorum.

MR. LONG: Yes, ma'am.

MS. VAN HOVEL: We got a quorum, yeah. Okay.

Melinda Smith.

MS. SMITH: Here.

MS. VAN HOVEL: David Long.

MR. LONG: Present.

MS. VAN HOVEL: Jerry Romero?

MR. ROMERO: Present.

MS. VAN HOVEL: Jo Van Hovel. Present.

MR. LONG: Great. We have a quorum.

MS. VAN HOVEL: At that roll call, I declare a quorum is present.

Okay. We'll get started with the meeting. Is there any public comment at this time?

MR. LONG: No, ma'am.

MS. VAN HOVEL: If there is none, then we'll start with, I guess they call it Tab 1 here and that would be our minutes from the last meeting which was, Wow, December 17 --

MR. LONG: Yeah, it's been a while since we got together.

MS. VAN HOVEL: -- 2010. Is there any comments on the minutes?

MR. LONG: I would just note that I realize it's been a while but, if you remember, this was when Mr. Mikeska was here to make a presentation regarding the corporation's audit for the year, which was then referred up to the board for formal approval.

So the minutes basically are a summary of that. That was the key point of that meeting and I know that it looks rather long but he did take quite a bit of time going through the audit so that the Audit Committee was --

MS. VAN HOVEL: That was good.

MR. LONG: -- very familiar, so I don't have any comments or questions on the minutes.

MS. VAN HOVEL: Jerry, do you?

MR. ROMERO: Being that I wasn't even on the Board at the time --

MS. VAN HOVEL: Yeah, you weren't there.

MR. ROMERO: -- I'll be happy to second the motion if someone

moves to approve it.

MR. LONG: Okay. Well, I move to approve the minutes as presented.

MR. ROMERO: I'll second.

MS. VAN HOVEL: Okay. With that motion being passed or -- second --

MR. LONG: You just have to take a formal vote.

MS. SMITH: Yeah. All in favor.

MS. VAN HOVEL: Okay. We ask for a vote for the -- how are we going to do that with only two of us?

MR. LONG: Well, just do all in favor and we'll --

MR. ROMERO: Well, there's four here.

MS. VAN HOVEL: All in favor of the minutes from December 17, 2010, say aye.

(A chorus of ayes.)

MS. VAN HOVEL: All opposed, likewise.

(No response.)

MR. LONG: Passes four to nothing.

MS. VAN HOVEL: Okay. The minutes have been passed as written. Okay. That finalizes our minutes. Let's go to Tab 2 where we're going to be talking about the operating budget for the year of 2012 and I'm going to turn it over to Ms. Smith.

MS. SMITH: Thank you. My name is Melinda Smith. I'm the chief financial officer and we are bringing the 2012 operating budget to the Audit

Committee for approval, or recommendation for approval to the Board.

The budget is included in your packet, and just to make some overall statements, the budget's very similar this year to last year's budget. Many of the programs that we began in the last couple of years are still with us and we don't have as many new programs. In the previous three years, we've had a lot of changes and -- between 2011 and 2012 things are a little more consistent in terms of the budget.

We are budgeting \$128,000 excess of revenues over expenditures, and depending on how you would like for me to handle it, I can go through the line items and just briefly explain what's included -- Ms. Van Hovel and I did spend some time going over the budget in detail -- or I can just answer specific questions that you might have.

MR. ROMERO: I've only got one question. On the revenue side, do you see any changes with the present market that we're in as far as selling any of the NIBP [phonetic] portfolio or anything else that might impact us.

MR. LONG: The only thing I can tell you is is that just last week we were able to sell some securities out of the NIBP warehouse. We have not gotten the final sales ticket on that yet. That will actually close on the 21st and when that happens we'll know exactly how that all falls against our expenditures to that.

MR. ROMERO: But it won't impact for 2012.

MR. LONG: It will effect this budget year because it's after September 1.

MR. ROMERO: Okay.

MR. LONG: So once we know that but I think that's already incorporated in here. Correct, Melinda?

MS. SMITH: Right.

MR. LONG: The estimation on that.

MR. ROMERO: Okay.

MR. LONG: So those numbers are in there.

Mr. Romero, if I might add that in response to the NIBP program there is discussion that that program be extended into 2012. It's currently set to expire 2011 -- in December 2011.

If that happens, we'll finalize and do a final closing, bond closing, of the balance of the securities that are in the warehouse agreement, along with any other loans that are closed and pooled and purchased to that point.

We don't know what that number will be and then that'll finalize that out. If it's extended in the next year, then we'll have some other discussions that we can have about securities still being available for sale, and a lot of those are market-driven and we just don't know yet the answer on the extension.

MR. ROMERO: Right. Okay.

MS. VAN HOVEL: Melinda, did we get a final figure, or will you have one, for the Board?

MS. SMITH: I did want to say that depending on what we decided to do with specific line items like the sponsorships, then we'll adjust the bottom line and approve that number for the Board. Does that --

MS. VAN HOVEL: I'm very pleased with -- I'm very, very

pleased with this budget. We have 16 employees and that's a good number and we're able to do all of this. I think it's just terrific.

MS. SMITH: I'm very happy with it too. I think the corporation's -- the program staff has just done an amazing job and the Board --

MS. VAN HOVEL: Yes.

MS. SMITH: I'm in a fun position because I can just count it. I don't have to participate in the programs and --

MR. ROMERO: You all have been very good at always maximizing our resources and, again, I --

MS. VAN HOVEL: Right.

MR. ROMERO: -- think the budget is very appropriate and I would be happy to move to approve the budget as presented.

MS. SMITH: Thank you.

MS. VAN HOVEL: Okay. Is there a second?

MR. LONG: I don't think we can --

MS. VAN HOVEL: We can't do the second.

MR. LONG: You can second.

MS. SMITH: You can second it.

MS. VAN HOVEL: I'll second that the budget --

MR. LONG: Okay.

MS. VAN HOVEL: -- for the coming year then. And those in favor, say aye.

(A chorus of ayes.)

MS. VAN HOVEL: Those opposed.

MR. LONG: That's a four-zero.

MS. VAN HOVEL: Now this goes before the Board. Right?

MR. LONG: Yes. What we approve goes -- yes?

MS. SMITH: Our attorneys --

(Pause.)

MR. LONG: Oh, I'm sorry. We have to -- well, I guess we can go back but public comment -- remember how we talked about we have to do public comment before we -- between the motion and the second we have to ask for any additional public comment and then we take the final vote?

MS. VAN HOVEL: Right.

MR. LONG: So what should we do then? Do we go back and redo it or do we ask for public comment now?

MS. VAN HOVEL: We can --

MR. ROMERO: I can go back. I'll make a motion to approve the budget as presented. Okay? You would second it.

MS. VAN HOVEL: And I'll second. And then I'll ask for public comment.

MR. LONG: Is there any public comment?

(No response.)

MS. VAN HOVEL: That motion's made and seconded. That's on the floor public comment.

MR. ROMERO: She's already asked --

MS. SMITH: Yes, she did.

MR. LONG: She's already done that.

MS. SMITH: She said that.

MR. LONG: Okay.

MS. VAN HOVEL: If not, then --

MR. LONG: Just take a motion -- just take a vote.

MS. VAN HOVEL: Okay. Take a vote. All those in favor, say  
yes.

(A chorus of ayes.)

MS. VAN HOVEL: All opposed?

(No response.)

MS. VAN HOVEL: Okay.

MS. SMITH: Thank you so much.

MR. LONG: So that basically then is recommending to our  
Board for their consideration and approval --

MS. VAN HOVEL: This is recommending our budget --

MR. LONG: -- yes -- recommending it up to the full Board for  
their consideration and approval.

MS. VAN HOVEL: Yes.

MR. LONG: Okay?

MS. VAN HOVEL: I didn't have that but that's right.

MR. LONG: That's correct. Yes, ma'am.

MS. SMITH: Thank you so much.

MS. VAN HOVEL: Thank you, Melinda, for all your work.  
Appreciate you.

MS. SMITH: Thank you.

MR. LONG: Okay. So now we have Tab 3.

MS. VAN HOVEL: Okay.

MR. LONG: Go ahead and get started.

MS. SMITH: Did you say to go ahead?

MR. LONG: Yeah, you can --

MS. SMITH: Would you like me to --

MS. VAN HOVEL: Yeah.

MS. SMITH: Okay.

MS. VAN HOVEL: Yes. I want you to take over with this Tab

3 --

MS. SMITH: Okay.

MS. VAN HOVEL: -- talking about the financial auditors.

MS. SMITH: Right. Tab 3 is the presentation, discussion and possible approval of selection of independent financial auditors. We included in your Board packet a little background: the corporation's enabling legislation requires that we have a financial audit done every year.

Additionally, we receive federal grant funds in an amount that requires that we have a federal single audit, and A-133 Single Audit. We also are required every other year to have a compliance review to determine whether the corporation is in compliance with the Public Funds Investment Act.

And, then, because we're a 502(c)(3) nonprofit, we are required to file 1 990 Informational Tax Return. And at times a 990-T, which is an Unrelated Business Income Tax Return related to our tenants in the building.

So every few years, every three to four years, we have gone out with an RFP, a request for proposal for independent auditors to perform those services for us. We did that this year. The proposals went out; they were published in the Texas Register and on our website and they were due August 19, and we received four proposals.

The staff and Accounting scored them as well as Ms. Mindy Green in our Asset Oversight and Compliance Monitoring division also scored all of the proposals. And after summarizing those scores, the -- we have decided that we would like to --

Oh, I'm sorry. David pointed out I should tell you who we got the proposals from. We -- again, we received four, one from Brown, Graham & Company; from Martinez Rosario & Company; Mikeska, Monahan and Peckham, and Padgett Stratemann & Company. Those were the four firms that responded.

MR. ROMERO: Are all these local firms?

MS. SMITH: All of them except -- I mean, they're all Texas. Martinez, Rosario is actually out of San Antonio.

MS. VAN HOVEL: But the rest of them are from Austin?

MS. SMITH: Yes, ma'am. Or they have an office in Austin. Okay.

After reviewing all the proposals, we did come up with a fairly lengthy scoring criteria that was based on the RFP and costs, and we would like to recommend to the Audit Committee that we re-engage Mikeska, Monahan and Peckham as our independent auditors for fiscal years 2001, '12 and '13.

MR. ROMERO: Were they all pretty --

MS. VAN HOVEL: Is there any discussion on this?

MR. ROMERO: Were they all pretty close as far as the scoring criteria or was Mikeska just a --

MS. SMITH: No, they were close. They were. I mean, it was much more --

MS. VAN HOVEL: Their fees are the same?

MS. SMITH: The fees were the same pretty much across the board with the exception of one, and I believe it was Padgett. And they discounted their fees significantly and they stated so in the proposal. However -- which is great in terms of cost but here were a lot of problems with that particular proposal in terms of its --

MS. VAN HOVEL: Why did they decide to discount?

MS. SMITH: Ma'am?

MS. VAN HOVEL: Why did they decide to discount their fees?

MS. SMITH: I'm assuming because they wanted our work.

MR. LONG: I would add that that concerned me.

MS. VAN HOVEL: That does me to.

MR. LONG: That's significant. When you have the other three that were really relatively close and then one that really was a significant reduction from the general number that we got from the other three.

MS. VAN HOVEL: Yes.

MR. LONG: I found that to be somewhat of concern, not so much that it was a benefit or a bonus to us -- sure, I would like to get a lower

price, but it concerned me that one was so low than the other ones.

MS. SMITH: The others were just like within a thousand dollars of each other.

MR. LONG: So I actually discounted that. I would suggest we discounted that as a concern rather than -- I mean added it in --

MS. VAN HOVEL: That's my question, yeah.

MR. LONG: -- as a concern rather than a benefit.

MR. ROMERO: I think Mikeska's group has done a wonderful job for us over the years.

MS. VAN HOVEL: They sure have.

MR. ROMERO: I'm happy with that recommendation.

MS. SMITH: We've been real happy with them as well.

MS. VAN HOVEL: They're easy to work with.

MS. SMITH: And they're very detailed and they'll spend hours researching.

MR. ROMERO: We don't get junior accountants coming in here to do the audits --

MS. SMITH: No.

MR. ROMERO: I mean Mikeska comes in.

MS. SMITH: And they're physically here.

MS. VAN HOVEL: Yes. He actually comes in so --

MR. LONG: They're physically here and I would agree with that.

MS. VAN HOVEL: We don't vote on that, do we?

MR. LONG: Yes, we do.

MS. SMITH: Yes, we do.

MR. LONG: This is the formal vote and approval and we're doing it here.

MS. VAN HOVEL: This is the formal -- so we will not be taking this to the Board.

MR. LONG: No, ma'am.

MS. SMITH: Right.

MS. VAN HOVEL: Okay.

MR. LONG: Not at this time. And I would suggest that since this is staff recommendation from our review that the motion and the second would come from the actual Boards members and so --

MR. ROMERO: I'll make a motion to approve the recommendation of staff to the Board that we select Mikeska -- what's the last name?

MS. SMITH: Monahan.

MR. ROMERO: Mikeska, Monahan & Peckham as the auditors for the next three years.

MS. VAN HOVEL: I'll second that motion.

All in favor --

MR. LONG: Can we do public comment?

MS. VAN HOVEL: Oh, public comment.

MR. LONG: Yeah, we've got to ask for public comment at this time.

MS. VAN HOVEL: Seeing that there is no public comment -- I'll call for it again -- public comment?

(No response.)

MS. VAN HOVEL: All in favor of this motion?

(A chorus of ayes.)

MS. VAN HOVEL: Those that are opposed, likewise.

(No response.)

MS. VAN HOVEL: Okay. We have hired the team that we've had before, Mikeska, Monahan & Peckham, as our auditors.

MR. LONG: Correct.

MS. SMITH: Thank you so much.

MS. VAN HOVEL: Thank you for the work that you've done with that --

MS. SMITH: You're welcome.

MS. VAN HOVEL: -- Ms. Smith.

MS. SMITH: And I'd like to recognize Nick Laurence and Betsy Lau [phonetic] --

MS. VAN HOVEL: Oh, okay.

MS. SMITH: -- and Cynthia Gonzalez. They have just knocked themselves out in Accounting.

MS. VAN HOVEL: We want to recognize you, too, and thank you for all the work that -- it's work.

MS. SMITH: Yes. They're wonderful.

MR. LONG: And Madam Chair, I would note that we don't have

anything in business that we need to go into closed session for so at this time, unless there are any other open meeting items, we're done with our agenda for the day on the Audit Committee.

MS. VAN HOVEL: Okay. I'm asking for adjournment.

MR. ROMERO: So move.

MS. VAN HOVEL: We're adjourned at 20 minutes to 10:00.

MR. LONG: Thank you.

MS. SMITH: Thank you so much.

MS. VAN HOVEL: Thanks, guys.

(Whereupon, at 9:40, the meeting was concluded.)

