

**AUDIT COMMITTEE MEETING
TEXAS STATE AFFORDABLE HOUSING CORPORATION
Held at the offices of
Texas State Affordable Housing Corporation
2200 E. Martin Luther King Jr. Blvd.
Austin, TX 78702
September 13, 2012 at 9:30 am**

Summary of Minutes

**Call to Order, Roll Call
Certification of Quorum**

The Audit Committee Meeting of the Texas State Affordable Housing Corporation (the “Corporation”) was called to order by Jo Van Hovel, Audit Committee Chair, at 9:30 am on September 13, 2012, at the offices of Texas State Affordable Housing Corporation, 2200 E. Martin Luther King Jr. Blvd, Austin, TX 78702. Roll Call certified that a quorum was present.

Committee Members Present

Jo Van Hovel, (Vice Chair) Chair
Bill Dietz, (Board Member) Member
David Long, (President) Ad Hoc Member
Melinda Smith, (Chief Financial Officer) Ad Hoc Member

Staff Present

Liz Bayless, Executive Vice President
Nick Lawrence, Controller
Betsy Lau, Senior Accountant
Charlie Leal, Government Relations Specialist
Laura Ross, Corporate Secretary
Cynthia Gonzales, Office Manager and Assistant Corporate Secretary

Special Guests

Gerry Evenwel, TSAHC Board Member
Don Mikeska, Mikeska, Monahan & Peckham
Chris Spelbring, Morgan Keegan
Pam Stein, Greenberg Traurig

Public Comment

There was no public comment.

Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Audit Committee Meeting held on December 14, 2011.

Mr. Dietz made a motion to approve the minutes of the Audit Committee Meeting held on December 14, 2011. Ms. Van Hovel seconded the motion. A vote was taken and the motion passed unanimously.

Tab 2 Presentation, Discussion and Possible Approval of the Fiscal Year 2013 Operating Budget.

Ms. Smith referred the Committee to the budget handout, noting it included schedules explaining each line item. In the 2013 Operating Budget, staff proposed an income of \$6.2 million with expenditures of \$6 million. Ms. Smith discussed each revenue item in detail. She then spoke about each expense item, making special note of the line item concerning the Single Family Compliance Program which was new to the budget this year. Mr. Long reminded the Committee that in March 2013 the board authorized staff to move forward with establishing the program and acquiring the necessary software. He explained that the line item on the budget represented the ongoing service contract that the Corporation maintained for the software to ensure it remained updated and in compliance with state and federal requirements. Ms. Smith then reviewed the remainder of the line items.

When discussing the travel line item, Ms. Van Hovel suggested that the process be streamlined. Mr. Long discussed procedures that were already in place, as well as how staff planned to lower travel costs in the future. Ms. Smith then reviewed salaries and staff related expenses. It was noted that not all staff positions listed in the budget were currently filled.

Mr. Dietz made a motion to recommend the proposed operating budget for fiscal year 2013 to the Board. Mr. Long seconded the motion. Ms. Van Hovel asked for public comment and none was given. A vote was taken and the motion passed unanimously.

After the vote, Mr. Long made the Committee aware of minor typos in the minutes approved under Tab 1. After consultation with legal counsel, it was noted that the errors would be corrected, but the corrections would not require the Committee to reconsider for approval.

Tab 3 Presentation and Discussion of the Annual Financial and OMB Circular A-133 Audits for the Fiscal Year Ended August 31, 2012.

Ms. Smith introduced Mr. Don Mikeska, the Corporation's independent financial auditor, who would be reviewing for the Committee about what to expect during the upcoming audit.

Mr. Mikeska explained that he was required to communicate with the Audit Committee regarding the responsibilities of both the auditor and management. It served as a way to open up a dialogue with the auditor for any issues, questions, or comments the Committee may have. He noted management's responsibility for developing a system to prevent fraud and irregularities and the auditor's responsibility for detecting material fraud and abuse.

Mr. Mikeska discussed the three main areas that would be addressed during the audit. The audit would be conducted in accordance with generally accepted auditing standards (GAAS) of the United States. The auditor would also conduct a yellow book audit, which was an audit conducted in accordance with government auditing standards (GASB). Under the yellow book audit, he was required to test for and detect any material noncompliance with the laws, regulations, contracts and other agreements. He would also test internal controls with respect to compliance. The final part of the audit was the Single Audit, which was an audit of any federal awards the Corporation received which included the Neighborhood Stabilization (NSP) program funds and the National Foreclosure Mitigation Counseling (NFMC) program funds. Mr. Mikeska

discussed in further detail what would be reviewed during the Single Audit including compliance, internal controls and materiality.

Mr. Mikeska informed the Committee that his firm also reviewed their own work to ensure they remained independent in the engagement because they had served as auditor for the Corporation for several years. He noted that during the previous year's audit, his firm hired another CPA firm to review the work papers and procedures to ensure they were independent in fact and appearance. The reviewing CPA firm found this to be the case.

Mr. Mikeska also noted that his firm had just completed their peer review which was an audit of their compliance with professional standards. Work papers were also reviewed for proper documentation and judgment. Mr. Mikeska reported his firm had passed their peer review and a copy of the report was given to management.

Mr. Dietz asked if anything different or new would take place during the audit this year as compared to years past; Mr. Mikeska noted that the following year the audit opinion would be much smaller and would look similar to an engagement letter. He added that the auditing procedures would not change, but the standards would require different reporting methods.

Adjournment

Mr. Long made a motion to adjourn the meeting and Mr. Dietz seconded the motion. Ms. Van Hovel adjourned the meeting at 10:05 am.

Respectfully submitted by _____
Laura Ross, Corporate Secretary