

TEXAS STATE AFFORDABLE HOUSING CORPORATION

AUDIT COMMITTEE MEETING

VIA RINGCENTRAL

Wednesday,
August 12, 2020
9:34 a.m.

COMMITTEE MEMBERS:

VALERIE V. CARDENAS, Chair
COURTNEY JOHNSON-ROSE, Member
DAVID LONG, Ad Hoc Member
MELINDA SMITH, Ad Hoc Member

ON THE RECORD REPORTING
(512) 450-0342

I N D E X

<u>AGENDA ITEM</u>	<u>PAGE</u>
CALL TO ORDER, ROLL CALL CERTIFICATION OF QUORUM	3
PUBLIC COMMENT	None
ACTION ITEMS IN OPEN MEETING:	
Tab 1 Presentation, Discussion and Possible Approval of Minutes of the Audit Committee Meeting held on December 13, 2019.	4
Tab 2 Presentation, Discussion and Possible Approval of the Audit Committee Guidelines.	5
Tab 3 Presentation, Discussion and Possible Approval of the Fiscal Year 2021 Operating Budget.	8
Tab 4 Presentation, Discussion and Possible Approval of Financial Auditors for Fiscal Years 2020, 2021 and 2022.	11
CLOSED MEETING	None
OPEN MEETING	--
ADJOURN	17

P R O C E E D I N G S

1
2 MS. CARDENAS: We'll call the meeting to order
3 and we'll go ahead and start with roll call.

4 Courtney Johnson Rose?

5 MS. JOHNSON ROSE: Present.

6 MS. CARDENAS: David Long?

7 MR. LONG: Present.

8 MS. CARDENAS: Melinda Smith?

9 MS. SMITH: Present.

10 MS. CARDENAS: And Valerie Cardenas present.

11 Okay. So, we have a quorum, and with that
12 being said, we'll go ahead and begin with the pledge of
13 allegiance.

14 (The Pledge of Allegiance and the Texas
15 Allegiance were recited.)

16 MS. CARDENAS: We could never pull off one of
17 those Zoom meeting choirs, I'm just going to say that.

18 (General talking and laughter.)

19 MS. CARDENAS: Sarah, thank you so much again
20 for coordinating, you know, our meeting, making sure that
21 everyone from a technology standpoint is up and running.
22 I don't know if you wanted to go over any housekeeping
23 rules before we begin or continue?

24 MS. ELLINOR: I think most of us have been on
25 these virtual webinars, you know, for the last five

1 months, and so if you guys have any questions you can type
2 them into the chat feature, and I will respond. If you
3 would like to make a comment, you can type into the chat
4 feature and I will unmute your line.

5 Most of us already have that ability to unmute
6 yourself on your own. But then please announce yourself
7 before you speak as a courtesy to the court reporter with
8 On the Record. And I think that's all.

9 MS. CARDENAS: Okay. Thank you.

10 Okay. So, before we begin our meeting, are
11 there any public comments at this time?

12 (No response.)

13 MS. CARDENAS: Seeing that there's none, we'll
14 go ahead and continue with our first action item, tab 1,
15 which is the presentation, discussion and possible
16 approval of minutes of the Audit Committee which was held
17 on December 13th of 2019.

18 Has everyone had an opportunity to read the
19 minutes?

20 (Affirmative response from members.)

21 MS. CARDENAS: So, if I could have a motion?

22 MS. JOHNSON ROSE: Courtney Rose, motion to
23 approve.

24 MS. CARDENAS: Okay. We have a motion

25 MS. SMITH: I'll second.

1 MS. CARDENAS: Okay. Melinda Smith seconds.
2 If there is none opposed, the minutes are approved.

3 MR. LONG: Valerie, would you do me a favor and
4 just go ahead and take a vote, please, so that we have it
5 for the record.

6 MS. CARDENAS: Okay. All in favor please say
7 aye.

8 (A chorus of ayes.)

9 MS. CARDENAS: All those opposed?

10 (No response.)

11 MS. CARDENAS: Hearing none opposed, the
12 minutes are approved.

13 MR. LONG: Thank you, Valerie.

14 MS. CARDENAS: You're very welcome.

15 Okay. Our next item, which is on tab 2, is the
16 presentation, discussion and possible approval of the
17 Audit Committee Guidelines. And with that, I'll turn it
18 over to Melinda.

19 MS. SMITH: Thank you. My name is Melinda
20 Smith and I'm the Chief Financial Officer.

21 Annually we are required to approve our Audit
22 Committee Guidelines, and I have not anticipated making
23 any changes, however, in the review of the guidelines by
24 our auditors, Maxwell Locke & Ritter, they noticed that on
25 page 3 of the guidelines we had an authoritative name

1 missing from one of the paragraphs.

2 So we wanted to add the words "Uniform
3 Guidance" on page 3 on number 3 under Independent
4 Auditors, and it's just a list of all the different
5 auditing standards, and the Uniform Guidance, those are a
6 collection of rules issued by the Office of Management and
7 Budget that address how to administer and audit grants
8 from federal funds.

9 So that's the only change we wanted to make to
10 the Audit Committee Guidelines, and if you like, I can
11 read that paragraph so you can hear what it sounds like in
12 there, or if you understand what I'm saying, we can just
13 move forward.

14 MR. LONG: Melinda, if you'd do me a favor for
15 the record so that you have this identified where it's
16 going, would you just go ahead and read that last
17 paragraph that incorporates that language, please?

18 MS. SMITH: Yes. All right, again, it's on
19 page 3 under Independent Auditors, item 3 and it begins
20 with the second sentence. "Discuss certain matters
21 required to be communicated to the Audit Committee in
22 accordance with auditing standards generally accepted in
23 the United States of America and the standards applicable
24 to financial audits contained in Governmental Auditing
25 Standards issued by the Comptroller General of the United

1 States, Uniform Guidance, and any other standards required
2 by applicable federal or state law or regulation."

3 MR. LONG: Thank you.

4 MS. SMITH: Sure.

5 So that was the only change that we wanted to
6 make, and I appreciate our auditors pointing that out to
7 us. We will be having some single audits coming up in the
8 near future because of all the grant funds we've received.

9 So, we're asking the Audit Committee to approve this
10 change and recommend it to the Board for approval.

11 MS. JOHNSON ROSE: Motion to approve with
12 positive recommendation to the Board.

13 MS. CARDENAS: Okay. We have a motion.

14 MR. LONG: I'll second that motion. This is
15 David Long.

16 MS. CARDENAS: Okay. I have a second. Are
17 there any public comments?

18 (No response.)

19 MS. CARDENAS: If there are none, all those in
20 favor of the minor revised language on the Audit Committee
21 Guidelines, all those in favor please say aye.

22 (A chorus of ayes.)

23 MS. CARDENAS: Any opposed?

24 (No response.)

25 MS. CARDENAS: Being none opposed, the revised

1 Audit Committee Guidelines are approved.

2 MS. SMITH: Thank you.

3 MS. CARDENAS: Okay. The next item is tab 3
4 which is the presentation, discussion and possible
5 approval of the Fiscal Year 2021 Operating Budget, and
6 again I'll turn that over to Melinda Smith.

7 MS. SMITH: Thank you. Again, my name is
8 Melinda Smith, I'm the Chief Financial Officer, and we're
9 presenting the operating budget for the new fiscal year
10 2021. I believe you should have received that in your
11 audit packages.

12 The overall budget is \$15 million, \$15.173
13 million in revenue and \$15.05 in expenditures, and we
14 budgeted a small profit of \$123,000. The only thing that
15 I would like to point out in terms of differences in
16 revenue has to do with our federal and state grants.

17 We received the Capital Magnet Fund grant in
18 2020 and that was \$3.75 million. We are not anticipating
19 receiving a grant quite that large in 2021, so we've
20 obviously not budgeted as much, so that's one of the main
21 differences between the two years in terms of revenue.

22 In expenditures, one of the things I'd like to
23 point out is we have added some additional staff positions
24 in the event that we find that we need them. We've added
25 four positions at around \$45-, \$50,000, and an intern's

1 position for part of the year. So that accounts for a lot
2 of the change in the salaries. We also budgeted a 6
3 percent increase in health insurance rates. That's what
4 we've been experiencing the last couple of years.

5 Is there something specifically on the budget
6 that you would like for me to go over? Would you like for
7 me to go over it line by line? I can do either one.

8 MS. CARDENAS: If I could just say to the Audit
9 Committee, you know, Melinda scheduled a phone conference
10 meeting with me, and so I want to thank her for that. We
11 did go over the entire budget, line item by line item.
12 She addressed any questions that I had which were not
13 anything that, you know, was alarming, everything was
14 explained.

15 As she mentioned, you know, not receiving X
16 amount of grants was one of the biggest line items,
17 amongst others, but just from my perspective they were
18 pretty much in line, and so I had no questions.

19 That being said, if the Audit Committee has any
20 questions, you know, this is the time to ask. I just
21 wanted to preface it with that statement.

22 MS. SMITH: Thank you.

23 MS. JOHNSON ROSE: Thank you for that
24 statement, Madam Chair, that's comforting. I did have a
25 chance to review everything, and Melinda gave me a call

1 yesterday just to see if I had any questions, so I feel
2 comfortable with this budget as well.

3 MS. SMITH: Thank you. So, we're asking that
4 the Audit Committee approve the budget, again, for
5 recommendation to the Board for approval.

6 MS. JOHNSON ROSE: This is Courtney. I make
7 the motion to approve the budget with a positive
8 recommendation for the Board.

9 MS. CARDENAS: Okay. I have a motion. Do I
10 have a second?

11 MR. LONG: This is David. I'll second that,
12 please.

13 MS. CARDENAS: Okay. Do we have any public
14 comment?

15 (No response.)

16 MS. CARDENAS: There being none, all those in
17 favor of the approval of the Fiscal Year 2021 Operating
18 Budget say aye.

19 (A chorus of ayes.)

20 MS. CARDENAS: Any opposed?

21 (No response.)

22 MS. CARDENAS: Being none opposed, the Fiscal
23 Year 2021 Operating Budget is approved.

24 MS. SMITH: Thank you so much.

25 MR. LONG: Thank you. Excellent.

1 MS. CARDENAS: Okay. Moving on to tab item 4,
2 which is the presentation, discussion and possible
3 approval of the financial auditors for fiscal years '20,
4 '21 and '22. Again, we'll have Melinda Smith.

5 MS. SMITH: Thank you.

6 Yes. Every three years the Corporation issues
7 an RFP for financial auditors and we issued one back in
8 March, right around the time that all of the pandemic
9 began to occur and the stay-at-home orders, and
10 consequently, we didn't receive as many proposals -- or at
11 least I believe that's the reason we didn't receive as
12 many proposals as we usually do.

13 We got two proposals, one from our existing
14 firm that does our audit, Maxwell Locke & Ritter, and then
15 one from a second group Sutton Frost Cary. Both firms are
16 really good firms.

17 We went through a scoring process where Nick
18 and Betsy and I all scored them and we did it based on 30
19 questions that covered issues like understanding the work
20 to be performed for the different types of audits that we
21 have, financial audits and single audits and a compliance
22 audit for our investments, working with entities that are
23 component units for the State of Texas because we are one.
24 We looked at experience, examples of other clients with
25 similar audits. We looked at the expertise of personnel.

1 We looked to see that they identified the people that
2 would be working on the audit, what their experience was,
3 how many hours they would be spending on the job.

4 We found that both firms had pretty much the
5 same number of hours that they anticipated it would take
6 to complete the audit, they were very similar. And then
7 we looked at the cost and whether or not they had provided
8 the rates per hours for the different levels of personnel,
9 staff and partners and managers working on the job.

10 We also looked to make sure they had their peer
11 reviews, that they had provided a copy of their audit.
12 And then we looked to just make sure they had complied
13 with the proposal itself; we had asked them to lay it out
14 in a certain manner.

15 Overall, after all the scoring was done, we
16 came to the conclusion that we would like to recommend
17 that we stay with Maxwell Locke & Ritter. They've done a
18 great job, and I'm sure they will continue to do a great
19 job.

20 And again, both firms were great, but that's
21 what we would like to recommend at this time. And if you
22 have any specific questions about how we scored or the
23 specific proposals, let me know and I'll try and answer
24 those questions.

25 MS. CARDENAS: Now, was there a reason -- I

1 mean, just kind of from you all's overview, is there a
2 reason that you all had, I guess, very few or not as much
3 interest when you sent out the RFP?

4 MS. SMITH: I honestly think that it was
5 because of the timing of it. I have no idea for sure. We
6 published it in the *Texas Register*, on our website and
7 notified several firms, so it's really kind of puzzling.
8 I have to say I think it was because of the Coronavirus.

9 I think people were trying to get their arms
10 around how they were going to perform an audit, because
11 usually, you know, they come onsite, you know, and are
12 right there in your office. So, I really think that's why
13 we didn't, because normally we get a good six or even more
14 proposals.

15 Now, what we could do is if you wanted, we
16 could go out again and see if we got more proposals, but I
17 think that Maxwell has done a great job, they certainly
18 understand our company and our business and there's a
19 great deal of benefit to that.

20 MS. CARDENAS: Okay. I think that's what's
21 most important, right, is that if the firm that we're
22 presently with has provided us with good audits and
23 obviously great service, they've been resourceful, you
24 know, their company themselves has a good rating, all of
25 those things, then I would be fine with that. Obviously,

1 I'm not the only one on the committee.

2 MS. SMITH: Right. I appreciate that. We do
3 think that they have done a really good job, and they are
4 very responsive to answering questions on short notice and
5 really do go the extra mile for us, so we've really
6 appreciated their work.

7 MS. CARDENAS: Okay. Are there any questions
8 from any other members?

9 MS. JOHNSON ROSE: No questions here.

10 MS. CARDENAS: Okay. Since there's no more
11 questions, if I could have a motion for approval of the
12 financial auditor presented.

13 MS. JOHNSON ROSE: This is Courtney. Motion to
14 approve.

15 MS. CARDENAS: Okay. I have a motion. Do I
16 have a second?

17 MR. LONG: This is David. I'll go ahead and
18 second, please.

19 MS. CARDENAS: Okay. Any public comment?

20 (No response.)

21 MS. CARDENAS: If there is none, with the sign
22 of aye, all those in favor of the approval of I guess in
23 this case Maxwell. Is that correct?

24 MS. SMITH: Yes, ma'am, Maxwell Locke & Ritter.

25 MS. CARDENAS: Maxwell Locke & Ritter as the

1 financial auditors for fiscal years '20, '21 and '22, if I
2 could have the motion for approval by a sign of aye.

3 (A chorus of ayes.)

4 MS. CARDENAS: Any opposed?

5 (No response.)

6 MS. CARDENAS: None being opposed, the motion
7 passes.

8 MS. SMITH: Thank you so much, thank you, thank
9 you.

10 MS. CARDENAS: Okay. I guess that brings us to
11 the end of our Audit Committee. I don't believe we have
12 any other items on the agenda. Is that correct?

13 MS. SMITH: Correct.

14 MR. LONG: That's correct.

15 If I could, for the record I would like to just
16 make a quick statement. I know both Ms. Cardenas and Ms.
17 Johnson Rose, you guys had the opportunity to have a
18 conversation with Melinda on the budget information that
19 was provided. I just want you to know how much time and
20 effort goes into that.

21 I know you probably already know that, given
22 that you're in the industries that you're in, but I wanted
23 to thank on record Melinda, Nick and Betsy for their work.
24 There's a lot of time that goes into these things and the
25 Corporation relies on our budget as almost part of our

1 strategic plan and how we do business. It identifies
2 input from all of the director areas, the programs, and I
3 just want to personally thank them for their time and
4 effort.

5 And I want to thank the Board for your
6 willingness to not only take the time to have a
7 conversation separate and apart from this with Melinda,
8 but thank you for your support of the Corporation by
9 approving the budget, so thank you all very much.

10 MS. SMITH: Thank you.

11 MS. CARDENAS: Thank you. Thank you for
12 bringing that up. Yes, I think the fact that, you know,
13 yes, you did take time to make a call to Courtney and
14 myself and I know that the questions that I had you were
15 able to explain them, and so obviously that demonstrates
16 the level of preparedness and work that you all put into
17 this report. So yes, I commend each and every one of you,
18 and thank you for your hard work and dedication.

19 MS. SMITH: Thank you.

20 MS. JOHNSON ROSE: I concur. Great job. Thank
21 you.

22 MS. SMITH: Thank you very much.

23 MR. LONG: And with that, Ms. Chairman, we
24 don't have anything to go into closed session for, so
25 other than that, I think we would be concluding our agenda

1 items for today.

2 MS. CARDENAS: Okay. So, with that being said,
3 I know we've got another meeting to tend to. If I can
4 have a motion to adjourn.

5 MR. LONG: So, moved. This is David.

6 MS. JOHNSON ROSE: Second, Courtney.

7 MS. CARDENAS: Okay. All those in favor say
8 aye.

9 (A chorus of ayes.)

10 MS. CARDENAS: Any opposed?

11 (No response.)

12 MS. CARDENAS: Meeting is adjourned at 9:56
13 a.m. for Audit Committee.

14 (Whereupon, at 9:56 a.m., the meeting was
15 adjourned.)

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MEETING OF: TSAHC Audit Committee

LOCATION: via RingCentral

DATE: August 12, 2020

I do hereby certify that the foregoing pages, numbers 1 through 18, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas State Affordable Housing Corporation.

DATE: August 19, 2020

/s/ Nancy H. King
(Transcriber)

On the Record Reporting
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