TEXAS STATE AFFORDABLE HOUSING CORPORATION

AUDIT COMMITTEE MEETING

VIA RINGCENTRAL

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

COMMITTEE MEMBERS:

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

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

Courtney Johnson Rose?

MS. JOHNSON ROSE: Present.

MS. CARDENAS: David Long?

MR. LONG: Present.

MS. CARDENAS: Melinda Smith?

MS. SMITH: Present.

MS. CARDENAS: And Valerie Cardenas present.

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

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

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

(General talking and laughter.)

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

MS. ELLINOR: I think most of us have been on these virtual webinars, you know, for the last five
months, and so if you guys have any questions you can type them into the chat feature, and I will respond. If you would like to make a comment, you can type into the chat feature and I will unmute your line.

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

MS. CARDENAS: Okay. Thank you.

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

(No response.)

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

Has everyone had an opportunity to read the minutes?

(Affirmative response from members.)

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

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

MS. CARDENAS: Okay. We have a motion

MS. SMITH: I'll second.
MS. CARDENAS: Okay. Melinda Smith seconds. If there is none opposed, the minutes are approved.

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

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

(A chorus of ayes.)

MS. CARDENAS: All those opposed?

(No response.)

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

MR. LONG: Thank you, Valerie.

MS. CARDENAS: You're very welcome.

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

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

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

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

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

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

MS. SMITH: Yes. All right, again, it's on page 3 under Independent Auditors, item 3 and it begins with the second sentence. "Discuss certain matters required to be communicated to the Audit Committee in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards issued by the Comptroller General of the United
States, Uniform Guidance, and any other standards required by applicable federal or state law or regulation."

MR. LONG: Thank you.

MS. SMITH: Sure.

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

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

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

MS. CARDENAS: Okay. We have a motion.

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

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

(No response.)

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

(A chorus of ayes.)

MS. CARDENAS: Any opposed?

(No response.)

MS. CARDENAS: Being none opposed, the revised
Audit Committee Guidelines are approved.

MS. SMITH: Thank you.

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

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

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

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

In expenditures, one of the things I'd like to point out is we have added some additional staff positions in the event that we find that we need them. We've added four positions at around $45-, $50,000, and an intern's
position for part of the year. So that accounts for a lot
of the change in the salaries. We also budgeted a 6
percent increase in health insurance rates. That's what
we've been experiencing the last couple of years.

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

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

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

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

MS. SMITH: Thank you.

MS. JOHNSON ROSE: Thank you for that
statement, Madam Chair, that's comforting. I did have a
chance to review everything, and Melinda gave me a call
yesterday just to see if I had any questions, so I feel comfortable with this budget as well.

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

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

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

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

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

    (No response.)

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

    (A chorus of ayes.)

    MS. CARDENAS: Any opposed?

    (No response.)

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

    MS. SMITH: Thank you so much.

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

MS. SMITH: Thank you.

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

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

We went through a scoring process where Nick and Betsy and I all scored them and we did it based on 30 questions that covered issues like understanding the work to be performed for the different types of audits that we have, financial audits and single audits and a compliance audit for our investments, working with entities that are component units for the State of Texas because we are one. We looked at experience, examples of other clients with similar audits. We looked at the expertise of personnel.
We looked to see that they identified the people that would be working on the audit, what their experience was, how many hours they would be spending on the job.

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

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

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

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

MS. CARDENAS: Now, was there a reason -- I
mean, just kind of from you all's overview, is there a reason that you all had, I guess, very few or not as much interest when you sent out the RFP?

MS. SMITH: I honestly think that it was because of the timing of it. I have no idea for sure. We published it in the Texas Register, on our website and notified several firms, so it's really kind of puzzling. I have to say I think it was because of the Coronavirus. I think people were trying to get their arms around how they were going to perform an audit, because usually, you know, they come onsite, you know, and are right there in your office. So, I really think that's why we didn't, because normally we get a good six or even more proposals.

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

MS. CARDENAS: Okay. I think that's what's most important, right, is that if the firm that we're presently with has provided us with good audits and obviously great service, they've been resourceful, you know, their company themselves has a good rating, all of those things, then I would be fine with that. Obviously,
I'm not the only one on the committee.

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

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

MS. JOHNSON ROSE: No questions here.

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

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

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

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

MS. CARDENAS: Okay. Any public comment?

(No response.)

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

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

MS. CARDENAS: Maxwell Locke & Ritter as the
financial auditors for fiscal years '20, '21 and '22, if I could have the motion for approval by a sign of aye.

   (A chorus of ayes.)

MS. CARDENAS: Any opposed?

   (No response.)

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

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

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

MS. SMITH: Correct.

MR. LONG: That's correct.

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

I know you probably already know that, given that you're in the industries that you're in, but I wanted to thank on record Melinda, Nick and Betsy for their work. There's a lot of time that goes into these things and the Corporation relies on our budget as almost part of our
strategic plan and how we do business. It identifies input from all of the director areas, the programs, and I just want to personally thank them for their time and effort.

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

MS. SMITH: Thank you.

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

MS. SMITH: Thank you.


MS. SMITH: Thank you very much.

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

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

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

MS. JOHNSON ROSE: Second, Courtney.

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

(A chorus of ayes.)

MS. CARDENAS: Any opposed?

(No response.)

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

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

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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