



John Keel, CPA
State Auditor

A Report on
**The Audit of the Department of Housing
and Community Affairs'
Fiscal Year 2011 Financial Statements**

December 28, 2011

Members of the Legislative Audit Committee:

In our audit reports dated December 20, 2011, we concluded that the Department of Housing and Community Affairs' (Department) financial statements and the Revenue Bond Program Enterprise Fund's financial statements for fiscal year 2011 were materially correct and presented in accordance with accounting principles generally accepted in the United States of America. We also concluded that the Department's computation of unencumbered fund balances of its Housing Finance Division complies with Texas Government Code, Sections 2306.204 and 2306.205. The Department published our audit reports as part of its financial statements, which it intends to post on its Web site at:

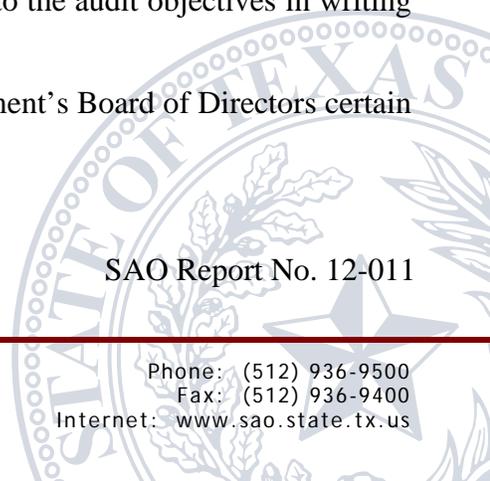
- Department financial statements:
<http://www.tdhca.state.tx.us/pdf/11-BasicFinancials.pdf>
- Revenue Bond Program Enterprise Fund financial statements:
http://www.tdhca.state.tx.us/bond-finance/docs/F_STMSFY11.pdf
- Computation of Unencumbered Fund Balances of the Housing Division:
<http://www.tdhca.state.tx.us/pdf/11-UnencumberedComp.pdf>

We also issued a report on internal control over financial reporting and on compliance and other matters as required by auditing standards. Our procedures did not identify any material weaknesses in internal control over financial reporting or any noncompliance with laws or regulations that materially affected the financial statements or the computation of unencumbered fund balances. In addition, the major internal controls that we tested for the purpose of forming our opinions were operating effectively.

Our procedures were not intended to provide an opinion on internal control over financial reporting or to provide an opinion on compliance with laws and regulations. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance with laws and regulations.

Auditors communicated certain issues that were not material or significant to the audit objectives in writing to the Department's management.

As required by auditing standards, we will also communicate to the Department's Board of Directors certain matters related to the conduct of a financial statement audit.



In addition, auditors performed agreed-upon procedures to assist the Department in determining whether its electronic submission of certain information to the U.S. Department of Housing and Urban Development's Real Estate Assessment Center agreed with related hard-copy documents. Our procedures determined that information the Department submitted electronically to the U.S. Department of Housing and Urban Development's Real Estate Assessment Center agreed with the related hard-copy documents.

We appreciate the Department's cooperation during this audit. If you have any questions, please contact Lisa Collier, Assistant State Auditor, or me at (512) 936-9500.

Sincerely,

John Keel, CPA
State Auditor

cc: Members of the Department of Housing and Community Affairs Board of Directors
Mr. J. Paul Oxer, P.E., Chair
Mr. Tom H. Gann, Vice Chair
Mr. C. Kent Conine
Ms. Leslie Bingham Escareño
Mr. Lowell A. Keig
Dr. Juan Sanchez Muñoz
Mr. Timothy Irvine, Executive Director, Department of Housing and Community Affairs



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