

AUDIT COMMITTEE MEETING

April 16, 2015

Leslie Bingham-Escareño, Chair



**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
AUDIT COMMITTEE MEETING**

**AGENDA
8:30 AM**

April 16, 2015

**Dewitt C. Greer State Highway Building
Ric Williamson Hearing Room
125 E 11th Street
Austin, Texas**

CALL TO ORDER, ROLL CALL

Leslie Bingham-Escareño, **Chair**

CERTIFICATION OF QUORUM

Leslie Bingham-Escareño, **Chair**

The Audit Committee of the Governing Board of the Texas Department of Housing and Community Affairs will meet to consider and may act on any of the following:

ITEM 1: Presentation, Discussion, And Possible Action To Approve The Audit Committee Minutes Summary For January 15, 2015

Mark Scott
Director of Internal Audit

REPORT ITEMS

Mark Scott
Director of Internal Audit

1. Presentation and Discussion of the Internal Audit Activity
 - a) An Internal Audit of TDHCA's Payroll Process
 - b) An Internal Audit of TDHCA's Records Retention Process
 - c) Consultation on Sub-recipient Monitoring Processes – Status
 - d) Status of the FY2015 Internal Audit Plan
2. Presentation and Discussion of the Status of External Audits, Reviews or Monitoring Activities
3. Presentation and Discussion of the Status of the Fraud, Waste, and Abuse Hotline and Other Fraud Complaints

PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS

EXECUTIVE SESSION

Leslie Bingham-Escareño, **Chair**

The Committee may go into Executive Session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551 and under Texas Government Code, §2306.039.

1. Pursuant to Texas Government Code, §551.074 the Audit Committee may go into Executive Session for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee.
2. Pursuant to Texas Government Code, §551.071(1) the Committee may go into executive session to seek the advice of its attorney about pending or contemplated litigation or a settlement offer.
3. Pursuant to Texas Government Code, §551.071(2) the Committee may go into executive session for the purpose of seeking the advice of its attorney about a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Texas Government Code, Chapter 551.
4. Pursuant to Texas Government Code, §2306.039(c) the Committee may go into executive session to receive reports from the Department's internal auditor, fraud prevention coordinator, or ethics advisor regarding issues related to fraud, waste or abuse.

OPEN SESSION

If there is an Executive Session, the Committee will reconvene in Open Session and may take action on any items taken up in Executive Session. Except as specifically authorized by applicable law, the Audit Committee may not take any actions in Executive Session.

ADJOURN

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact Mark Scott, TDHCA Internal Audit Director, 221 East 11th Street Austin, Texas 78701-2410, 512.475-3813 and request the information.

Individuals who require the auxiliary aids, services or sign language interpreters for this meeting should contact Gina Esteves, ADA Responsible Employee, at 512-475-3943 or Relay Texas at 1-800-735-2989 at least two (2) days before the meeting so that appropriate arrangements can be made.

Non-English speaking individuals who require interpreters for this meeting should contact Elena Peinado 512-475-3814 at least three (3) days before the meeting so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Elena Peinado al siguiente número 512-475-3814 por lo menos tres días antes de la junta para hacer los preparativos apropiados.

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AUDIT COMMITTEE ACTION REQUEST

BOARD SECRETARY

APRIL 16, 2015

Presentation, Discussion, and Possible Action on the Audit Committee Meeting Minutes Summary for January 15, 2015.

RECOMMENDED ACTION

RESOLVED, that the Audit Committee Meeting Minutes Summary for January 15, 2015 are hereby approved as presented.

MINUTES OF THE AUDIT COMMITTEE
OF THE GOVERNING BOARD OF THE
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

On Thursday, January 15, 2015, at 8:30 a.m. the meeting of the Audit Committee (the “Committee”) of the Governing Board (the “Board”) of the Texas Department of Housing and Community Affairs (the “Department”) was held in the Ric Williamson Hearing Room at 125 E. 11th Street, Austin, Texas. Leslie Bingham-Escareño presided over the meeting and Mark Scott served as secretary. All three members of the Committee were in attendance: Leslie Bingham-Escareño, Tom Gann, and Tolbert Chisum.

The Chair introduced Tolbert Chisum, newly appointed by Chairman Oxer, and Mark Scott, the new Director of Internal Audit.

Upon motion of Tom Gann, duly seconded by Tolbert Chisum, the minutes of the October 9, 2014, meeting of the Committee were adopted as presented.

Mark Scott presented staff’s recommendation for the Internal Audit Charter. Upon motion of Tom Gann, duly seconded by Tolbert Chisum, it was adopted as recommended.

Cesar Saldivar and Jeanette Quinonez of the State Auditor’s Office (“SAO”) were introduced, and they presented the results of SAO’s audit of the Department’s FY 2014 financial statements. Upon motion of Tolbert Chisum, duly seconded by Tom Gann, the Committee resolved to recommend that the Board accept the report. David Cervantes acknowledged several members of his staff who had served in key roles in facilitating the audit: Ernie Palacios, Joe Guevara, Stephanie D’Couto, Esther Ku, and Julie Dumbeck.

Mark Scott provided an update on audit activity and introduced a new member of his staff, Robin Kolton. He described the status of the Internal Audit work plan, noting the ability to leverage other audit work in connection with the audit of payroll. He described a planned “sources and uses” audit and a consulting engagement to assist the Department Compliance staff in addressing A-133 audit issues.

Mark Scott provided an update on reports of suspected fraud, waste, and abuse. Tom Gann requested that the statistical data be included in future reports as an aid in monitoring trends.

There being no further business to come before the Committee, the meeting was adjourned at 8:57 a.m.

_____ Leslie Bingham-Escareño, Chair

_____ Mark Scott, Audit Committee Secretary

REPORT ITEMS

1a



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Board Members

J. Paul Oxer, *Chair*

Juan S. Muñoz, PhD, *Vice Chair*

Leslie Bingham-Escareño

T. Tolbert Chisum

Tom H. Gann

J.B. Goodwin

INTERNAL AUDIT

"REVIEW OF TDHCA'S PAYROLL PROCESSES"

AUDIT #15-004

March 27, 2015

Office of Internal Audit
P.O. Box 13941
Austin, Texas 78711-3941

INTERNAL AUDIT

"REVIEW OF TDHCA'S PAYROLL PROCESSES"

AUDIT #15-004

INTERNAL AUDIT DIRECTOR

Mark E. Scott, CPA, CIA, CISA, MBA

AUDIT TEAM

BETSY SCHWING, CPA, CFE, CGMA

ROBIN KOLTON, CGMS

For additional copies, please request,
"REVIEW OF TDHCA'S PAYROLL PROCESSES AUDIT #15-004"

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

INTERNAL AUDIT REPORT – AUDIT #15-004

Subject: Review of Payroll

Audit Results

- D.1 Excel sheet that is maintained for payroll percentages for funding source is not password protected.
- D.2 Excel sheet is currently kept on staff's P drive, which is inaccessible to other staff that might require the information contained on the spreadsheet.

Recommendations

- D.1 Have the Excel sheet password protected.
- D.2. Place Excel sheet on the Department's shared drive to allow authorized staff access to the information.

Other Observations/Concerns:

N/A

Response:

*Management agreed with our recommendations.
Detailed responses are included in the body of the audit report.*

Responsible Area:

Program Director

Scope

Our scope included a review of FY14 and first quarter of FY2015.

Our methodology included interviews with the payroll and human resource staff. We also reviewed necessary documentation which included the Standard Operating Procedures (SOP's), and various reports that were reviewed and processed by the Human Resources and Payroll Program.

We conducted a survey of all of TDHCA's employees, including those in the Manufactured Housing Division. The results of this survey are discussed in detail in section G.



Mark Scott, CPA, CIA, CISA, MBA
Director, Internal Audit

3/27/2015
Date Signed

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Greg Abbott
GOVERNOR

BOARD MEMBERS
J. Paul Oser, *Chair*
Juan S. Muñoz, PhD, *Vice Chair*
Leslie Bingham-Escareño
T. Tolbert Chisum
Tom H. Gann
J.B. Goodwin

March 27, 2015

Writer's direct phone # 512-475-3813
Email: Mark.Scott@tdhca.state.tx.us

To: The Audit Committee and the Governing Board of the Texas Department of Housing and Community Affairs, ("TDHCA") or the "Department".

This report presents the results of the Office of Internal Audit's ("OIA") Review of TDHCA's Payroll Process, *Audit 15-004*. This audit was identified in the Fiscal Year 2015 Annual Audit Plan.

AUDIT RESULTS:

The Payroll program had updated policy and procedures or Standard Operation Procedures ("SOPs") that were reviewed in 2013.

A survey was sent to all TDHCA staff on their experiences with the payroll function, (not the amount of their paycheck). The results of the survey were very positive and majority of the staff were satisfied with their experiences.

Payroll uses an Excel sheet which was not password protected nor was it located on one of the TDHCA shared drives that is backed up daily. This Excel sheet is used to calculate the percentages for the grant funding source for each staff whose time is charged against that grant.

SCOPE AND METHODOLOGY

Our scope included a review of FY14 and first quarter of FY2015.

Our methodology included interviews with the payroll and human resource staff. We also reviewed necessary documentation which included the SOPs, and various reports that were reviewed and processed by the Human Resources Division and Payroll Program team.

We conducted a survey of all TDHCA's employee's, including those in the Manufactured Housing Division. The results of this survey are discussed in detail in section G.



This report is separated into the following sections:

Background

- A. Standard Operating Procedures
- B. Verification of TDHCA staff
- C. Personal Action Forms (“PAF”)
- D. Payroll Process
- E. Payroll Self-Audits
- F. Follow up on Internal Finding or External Finding
- G. Survey
- H. Other

Background

Texas Department of Housing and Community Affairs (“TDHCA”) had 289 employees as of December 31, 2014. This includes the Manufactured Housing Division employees. The Department’s budgeted full time equivalent employees were 312 for Fiscal Year 2014 and 309 for Fiscal year 2015.

For Fiscal Year 2014 the amount budgeted for salaries, wages and payroll related cost was \$20,880,810. For Fiscal Year 2015 the amount budgeted for salaries, wages and payroll related costs was \$21,259,593.

The majority of the payroll process activities are performed by the Payroll/Travel Team Leader within the Financial Servicers Section of the Financial Administration Division, the Human Resources Division and the respective employees’ supervisors. While TDHCA staff members are charged with preparing the payroll information, the actual paychecks are issued by the Texas Comptroller of Public Accounts.

The payroll process incorporates both the financial and the human resource functions as a collaboration of information with various checks and balances to ensure that all information is correct before payroll can be finalized and TDHCA staff receive their payroll checks.

Issues related to payroll such as reporting at the financial statement level and indirect cost allocations will be addressed in a forthcoming audit of the agency’s Sources and Uses.

A. Standard Operating Procedures

The payroll program has a Standard Operating Procedure (“SOP”) 260.01 which was last updated/reviewed in August 2013. The SOP follows the payroll regulations that are required from the Texas Comptroller of Public Accounts, Texas Government Code and the General Appropriations Act.

The SOP clearly identifies staff titles and their main responsibility. The SOP also identifies that there will be Human Resources (“HR”) Monthly Payroll Audits and HR Quarterly Payroll Audits. These two self audits conducted by HR will be discussed further within this report.

The SOPs are very thorough and address various scenarios from termination, pay increases, direct deposit, and longevity pay to charitable contributions, bankruptcies, and child support payments.

We have no findings or recommendations for this section.

B. Verification of Employees

As part of the payroll audit, one of OIA's objectives was to test records of the Texas Comptroller of Public Accounts ("CPA") payroll, TDHCA, and the Department of Public Safety ("DPS") to determine whether these three sources of information confirm there were no "ghost" employees. Ghost employees are staff that received payroll payments but are not actual employees of the agency.

OIA testing showed that all staff that were on the CPA's report and the TDHCA HR list of staff matched, confirming that TDHCA does not have any "ghost" employees.

The DPS list of staff that have badges was compared to the HR list of staff and it was identified that two staff reflected TDHCA as having badges which had been deactivated, but the badges were still listed as active on the DPS roster. TDHCA sends over documentation to DPS to have badges activated and deactivated whenever the status of an employee changes.

TDHCA does follow the procedures that are set in place for the deactivation of ID badges, but we do not follow up with DPS for confirmation. OIA recommends that TDHCA request the list of active ID badges from DPS at least annually and compare with HR list of staff to ensure that the ID badges that were requested to be deactivated have actually been deactivated.

We have no formal findings for this section.

C. Personnel Action Forms ("PAF")

PAF is the initial action document after the vacant job position has been filled. Human Resources creates and circulates it for the required approval signatures. The PAF has the information that includes the position title, date of hire, salary and payroll class.

The PAF is also used for additional changes to staffs' status that may include: promotions, reclassification, demotion, leave without pay, separation, and transfer to another agency or any other actions that involves payroll changes.

Once the PAF is created, it is printed and the paper copy of the PAF is placed in a purple folder and is manually routed to the required TDHCA staff for the approval and signature. After the PAF has all the required signatures, it is returned to HR staff who then submits it to the Payroll section for action. The original PAF is placed in the affected employee's personnel folder.

Although this process is handled with great care to ensure PAF's are processed on a timely basis and that the information stays confidential, OIA considers that the HR and Payroll system would benefit from an electronic routing system to process and hold the data information. The electronic database would ensure:

- Confidentiality of information as only the staff that is included in the routing for signatures would have access to information,
- Ability to track the progress of the signature process,
- Ability to have an auditable trail of history of the PAF,
- Ability to use HR staff resources for other projects instead of hand delivering and monitoring the process of the signatures, and
- Would allow for the re-evaluation of required approval signatures

We have no formal findings or recommendations for this section.

D. Payroll Process

TDHCA uses the software "Genesis" as the time keeping program for staff to input their daily time; and it also stores the employees leave balances. The Genesis is an older software system for timekeeping and slightly outdated but currently is meeting the needs of the Department. Management advises, they would like to get an updated software package that would be more user friendly and be able to support and provide all TDHCA's requirements.

Management has identified that Genesis does have several constraints that can sometimes hamper the timekeeping process for staff who work with various grants which are paid from multiple funding sources. The Genesis only has the capability of giving the staff up to ten funding sources to choose from. When a staff needs more funding codes, one of the other codes has to be deleted to have the capability of adding the additional funding code.

Another constraint with Genesis is that it is unable to calculate the various percentages that are required to pay various staff who are paid out of the multiple grant funding sources. The Payroll staff downloads a report from Genesis that shows the amount of hours each employee worked and then they have to sort, formulate, etc. in order to get the percentage amounts for each employee's specific grant worked. Then this information is translated to the salary per grant. This Excel spreadsheet is used to calculate the appropriate payroll expenses from each funding source in order to charge federal grants correctly for payroll expenditures.

This Excel spreadsheet is kept on one of the staff's "P drive" which is inaccessible to other staff that might require the information contained on the spreadsheet. The spreadsheet does not have a password protection activated, which best practices would require as there is confidential information contained in the spreadsheet.

OIA recommends that the spreadsheet be moved from the "P" drive and placed on a departments shared drive to allow other authorized staff access to the information and also to make the Excel spreadsheet password protected.

FINDINGS AND RECOMMENDATIONS

D.1 Excel sheet that is maintained for payroll percentages for funding source is not password protected.

D.2 Excel sheet is currently kept on staff's P drive, which is inaccessible to other staff that might require the information contained on the spreadsheet.

Recommendations:

- D.1 Have the Excel sheet password protected.
- D.2. Place Excel sheet on the Departments shared drive to allow authorized staff access to the information.

D. MANGEMENTS COMMENTS – CORRECTIVE ACTION TABLE

Finding Item Number	Management Comments- Status Pertaining to the Recommendations and Actions to be taken.	Target Completion Date	Responsible Division/Program Area and Manager
D.1	Excel spreadsheets pertaining to timesheet reconciliation have been password protected. The password has only been shared with pertinent budget/payroll staff that would need to access the files.	3/19/2015	Financial Services/Budget and Payroll, manager Joe Guevara
D.2.	The Excel spreadsheets pertaining to timesheet reconciliation have been relocated to the FABP folder in the T drive. Only employees with access to this file can access the spreadsheets.	3/19/2015	Financial Services/Budget and Payroll, manager Joe Guevara

E. Payroll Self-Audits

Human Resources staff on a quarterly basis runs the Employee Master List report from the Genesis and the Agency Payroll Master from the Texas Comptroller USAS program. The HR staff then compares line for line between the two reports to ensure that the information is exactly the same on both reports. If there are any discrepancies, HR will review the PAFs or other documentation and make required corrections. Upon completion of this task, the reports are then reviewed by the Director of Human Resources.

On a monthly basis Human Resources staff audits the monthly Personnel Action Forms (“PAFs”) and compares them with Payroll Master from the Texas Comptroller USAS program and the information in Genesis. If there are any discrepancies, HR will review the PAFs or other documentation and make required corrections. Upon completion of this task, the reports are then reviewed by the Director of Human Resources.

OIA met with the Human Resources Division staff and was provided a demonstrational walk-through of the process and had three months of reports with all the verification for OIA to review. OIA considers that there is sufficient verification and separation of duties to provide an accurate payroll function.

We have no formal findings or recommendations for this section.

F. Follow up on Prior External Audit Recommendations:

Texas Comptroller Post Payment Audit

The report dated November 30, 2012, from the Texas Comptroller Post Payment audit included two recommendations that were directly related to the payroll function. The Texas Comptroller on a periodic cycle does a Post Payment Audit of each state agency to review payments of agency purchases, travel and payroll transactions.

In the recent audit, it was identified that one employee had the incorrect longevity payment; the Texas Comptroller of Public Accounts ("CPA") recommended that TDHCA properly verify and document prior service for all new employees.

The second item identified by the CPA was that there was missing documentation in the files for prior state service of employees.

TDHCA has corrected these issues.

We have no formal findings or recommendations for this section.

G. Survey

The Office of Internal Audit conducted a survey to obtain information about the Department's employees' experience with the payroll process, payroll information and the payroll personnel. The survey was sent to all TDHCA employees (including the Manufactured Housing Division). Of the 287 survey recipients, 172 employees responded. OIA has discussed the survey results with management.

The majority of the survey responses were positive. Respondents indicated that the Department's Payroll staff and Human Resources staff address their questions accurately, completely and in a timely manner. When asked if the employees had comments about payroll, numerous respondents provided compliments for the payroll and human resources staff, including "excellent, great, and very knowledgeable". Some respondents had issues related to the Department's timekeeping system (Genesis). Respondents indicated that the time keeping system is outdated, archaic, and cumbersome. Department management is aware of the challenges presented with the existing timekeeping system. However, resources have not yet been provided to enhance or replace the current time keeping system.

Two of the respondents indicated that they have had an issue with their paycheck or the payroll process that was either not resolved or not yet resolved. Those two respondents did not indicate the nature of the issue.

Survey responses indicated that there is a continuing need for supervisors to communicate and reinforce the importance of accurate time reporting to their staff.

We have no formal findings or recommendations for this section.

H. Other

A substantial amount of payroll costs are paid as indirect cost. OIA will review the indirect cost methodologies used for each program during the audit of Sources and Uses to be conducted in the near future.

We conducted this performance audit in accordance with applicable auditing standards. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We express our appreciation to management and program personnel for their courtesy and cooperation during this review. Please contact me at 512-475-3813 if you have any questions or concerns about the issues or recommendations that are contained in this report.

Sincerely,



Mark Scott, CPA, CIA, CISA, MBA
Director of Internal Audit

rgk

cc: Tim Irvine, Executive Director
Cameron Dorsey, Chief of Staff
Gina Esteves, Director of Human Resources
David Cervantes, Chief Financial Officer
Kristina Vavra, Team Leader Payroll

1b



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Board Members

J. Paul Oxer, *Chair*

Juan S. Muñoz, PhD, *Vice Chair*

Leslie Bingham-Escareño

T. Tolbert Chisum

Tom H. Gann

J.B. Goodwin

INTERNAL AUDIT

"REVIEW OF TDHCA's RECORDS RETENTION PROCESS"

AUDIT #15-005

April 1, 2015

Office of Internal Audit
P.O. Box 13941
Austin, Texas 78711-3941

INTERNAL AUDIT

"REVIEW OF TDHCA's RECORDS RETENTION PROCESS"

AUDIT #15-005

INTERNAL AUDIT DIRECTOR

Mark E. Scott, CPA, CIA, CISA, MBA

AUDIT TEAM

BETSY SCHWING, CPA, CFE

ROBIN KOLTON, CGMS

For additional copies, please request,
"REVIEW OF TDHCA's RECORDS RETENTION PROCESS AUDIT #15-005"



Texas Department of Housing and Community Affairs

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Tom H. Gann
J.B. Goodwin

April 1, 2015

Writer's direct phone # 512-475-3813
Email: Mark.Scott@tdhca.state.tx.us

To: The Audit Committee and the Governing Board of the Texas Department of Housing and Community Affairs ("TDHCA" or the "Department").

This report presents the results of the Office of Internal Audit's ("OIA") Review of TDHCA's Records Retention, *Audit 15-005*. This audit was identified in the Fiscal Year 2015 Annual Audit Plan.

AUDIT RESULTS:

The Records Management Coordinator is in the process of updating their policies and procedures including the Standard Operation Procedures (SOP's). The Coordinator is also working with the Information Systems Officer (ISO) and the Deputy General Counsel on reviewing the electronic records and their retention, storage and destruction process.

Current controls in place, in conjunction with the implementation of planned program initiatives, are sufficient to adequately safeguard agency records, and ensure compliance with applicable statutes and regulations.

An internal survey that was sent to each program's identified Records Management Liaison, as part of this review, with the results discussed in section E.

SCOPE AND METHODOLOGY

Our scope of work included interviews with various management staff and the review of pertinent data, such as record-retention schedules, State record laws, and other relevant documentation related to the process for identification, storage, and retrieval of agency records. Internal Auditors also attended one of the training sessions that was provided to the various Records Management Liaisons for each program area.



This report is separated into the following sections:

- Background
- A. Standard Operation Procedures
- B. Records Retention Processes
- C. Records Management System Data Base
- D. Training
- E. Survey
- F. Other

Background

Records Management ("RM") is the discipline that identifies and controls records within a business or agency by organizing records and safeguarding them from the risk inherent in inappropriately handled information. The Texas Government Code, Chapter 441, Section 183 mandates that the head of the agency establish and maintain a records-management program on a continuing and active basis. It mandates that all agencies create and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency. Agency records serve to furnish information to protect the financial and legal rights of the state, as well as those of any person affected by the activities of the agency.

RM is a critical part of all organizations, involving everyone at the agency. The main objectives of an RM program are to:

- Improve agency efficiency by organizing and retrieving relevant information to support and facilitate operations and activities;
- Properly manage the records of the agency by complying with all legal requirements imposed by statutes and regulations;
- Protect important legal, financial, historical, and vital records; and
- Provide support for the organization's actions and protect against adverse consequences during litigation, government investigations, and audits.

At TDHCA, each program area assigns a staff to be the Records Management Liaison and they assist the Records Management Coordinator with:

- Managing the TDHCA's records,
- Storing and retrieving active/inactive records,
- Notifying the Records Management Coordinator when files are ready for either archiving or destruction of records if required retention schedule has been met, and
- Some programs retain their records within their own program area and will keep the Coordinator updated with what files are maintained in their area.

TDHCA promotes the storage of all files to be electronic in order to reduce the cost of paper, ink and also the monthly cost of storage of records at off-site facilities.

A. Standard Operations Procedures

The Records Management program has recently had a change in staff with the retirement of the coordinator for overseeing the program. The new Records Management Coordinator was hired in November 2014 and with her coming on board; she has been reviewing and reassessing the program areas which is included in the Standard Operation Procedures (“SOPs”).

The SOPs includes the requirements of Texas Government Code §441.180; Texas State Records Retention Schedule, 13 Texas Administrative Code that addresses electronic records,

Internal Audit was provided the updated SOPs that are currently being reviewed by management.

We have no formal findings or recommendations for this section.

B. Records Retention Process

Records Retention process includes five major processes, these include: 1) Creation of Records, 2) Records Retention Schedules, 3) Identification of Records for Storage, 4) Records Storage and 5) Records Disposal.

1. Creation of Records:

As defined by the Texas Government Code §441.180 (11), a state record means any written, photographic, machine-readable, or other recorded information created or received by or on behalf of a state agency or an elected state official that documents activities in the conduct of state business or use of public resources.

These records include emails, texts and any other electronic devices that contain state documents or are used to conduct state business.

2. Records Retention Schedules:

All state agencies must submit a records retention schedule to Texas State Library and Archives (“TSLAC”) for certification. The RM Coordinator, in cooperation with agency staff, creates and maintains the tool known as the Records Retention Schedule (“RRS”). The RRS identifies the following:

- all records created, received and maintained by the agency;
- period of time each record is to be maintained and disposed of by the agency;
- whether the records contain confidential or sensitive information, and :
- provide other information necessary for the operation of an effective RM program.

The current TDHCA RRS was recertified November 20, 2013. This recertification provides the agency with continuing authorization to dispose of agency records according to the terms in the schedule. The recertification is conducted on a five year basis; TDHCA will be due for recertification in 2019.

3. Identification of Records for Storage:

Each agency employee is responsible for determining what information must be retained as an agency record. This decision is based on their individual understanding of the work they perform and the guidance provided by the retention schedule.

TDHCA's intranet contains the current state retention schedule to which all TDHCA employees have access to utilize for their determination to retention schedules.

4. Records Storage:

The RM Coordinator maintains several databases and paper documentation of all items that have been archived to their program. Internal Audit was able to review the notebooks that are kept by the RM Coordinator that list the status of all archival documentation. When a file is requested or returned from archives, there is a document trail of the transactions. The RM Coordinator also has one main data base, the Records Management System which will be discussed in a following section. The RM Coordinator also uses excel sheets to track the various activities.

TDHCA has two off-site locations where the majority of our records are stored. This includes 5,887 boxes and 1,742 microfilms being stored at Texas State Library and Archives, 979 boxes are stored at Iron Mountain.

Records being stored at these two locations are records with a long life cycle, archival value or permanent retention period. These facilities are contracted vendors from which TDHCA receives invoices for storage space in addition to charges for pick-up and delivery of files. The two storage areas allow the records to have adequate fire prevention, and detection, temperature control, physical security and access control, and efficient retrieval process.

TDHCA utilizes the basement of our facility to house 154 boxes which are in a fenced secured area. Within this fenced area are records that the RM Coordinator is directly responsible for their security and availability of these records, as the records have transferred the files to RM using the retention schedule.

There are records that reside within these fenced areas that are considered to be still in the possession of various programs, as the programs have not officially archived them to the Records Management Coordinator and the files are considered active files.

In addition, there are some program areas that maintain their records within their designated program area. Currently, the RM Coordinator does not have a list of what records are maintained. The RM Coordinator is currently working with the RM Liaisons to get listings of all records that are maintained in their program area.

5. Records Disposal:

Records that have completed their life cycle and do not have archival value are to be disposed. Before a file can be disposed, the RM Coordinator will ensure that there are not any; archival requirements, litigation, claim, negotiation, audits, open records request, administrative review or other actions involving the record is initiated before the expiration of its retention schedule.

The RM Coordinator will send a list of items that have met the retention period to the program director and the legal division to ensure that the documents are eligible for destruction. Once the documents have been approved for disposal, there are two ways in which they are disposed. If they are paper documents, these documents are placed within the locked gray bins that are stored in the basement of the facility for a third party vendor to pick up and destroy records in a confidential manner.

If the records are electronic, then the records are removed from the TDHCA servers.

All documents that are destroyed are documented within the Records Management System.

Internal Audit recommends that the RM Coordinator continue to work with the RM Liaisons to document what archival files/documentation is being maintained in the programs areas.

We have no formal findings for this section.

C. Records Management System

The Records Management System ("RMS") is a database that the Records Management Coordinator uses to track the location of the archived documentation. The data base is accessible only to the Records Management Coordinator and the associated staff that assist with the job duties. The RMS tracks the various required information which consists of: Source Access Number, Record Series Title, Division, Section, Status, and Proposed/Actual Disposal Dates.

The Source Access Number is assigned to the records when it is archived and the number designation acts as the location of the information either on-site or off site. The Record Series Title is the title of the document that would be used if a search was needed to locate the information, for example, Home Contracts. The division section and the section use a two alpha designation that is predetermined by RM Coordinator. The status and the proposed/actual disposal dates are all based on the records retention schedule.

The RMS is very easy to negotiate and has reports that can be run to assist with the notification to the RM Liaisons or other staff with the retention period and destruction date or the status of documents.

We have no formal findings or recommendations for this section.

D. Training

Records Management Coordinator

The RM Coordinator position does not require a specific certification or training. The new coordinator has been taking classes from the Texas State Library and Archives Commission which has included 23.5 hours of either classroom or web-classes.

Records Management Liaisons

On March 25, 2015 the RM Coordinator held two training sessions with the assigned liaisons from each TDHCA program. Internal Audit had two staff attend the training and each participant received a printed copy 2014 Records Retention Schedule along with copy of the slide presentation.

The TDHCA intranet currently has the electronic copy of the 2014 Records Retention schedule, and the RM Coordinator will be adding the slides from the training to be available to TDHCA staff.

According to the RM Coordinator, the plan is to continue to offer training to the Liaisons; and Internal Audit recommends the continuation of this training opportunity.

We have no formal findings for this section.

E. Survey

To evaluate the effectiveness of the Program, Internal Audit conducted a survey to 22 Records Coordinators Liaisons, with 17 responding to the survey. Internal Audit had one of the liaisons call and they declined to take the survey because they had just found out that they had been appointed and felt that he could not provide any helpful information for the survey. The survey evaluated satisfaction with the guidance given to agency staff regarding records management through training practices, policies and procedures and staff support.

Questions:	Yes	No	Skip
1. Records Management information contained on the TDHCA intranet is useful?	12	3	2
2. I found the process for submitting records for storage to be easy and efficient.	12	3	2
3. I found the process for requesting records from storage to be easy and efficient.	14	1	2
4. If I called, emailed, or made a request for services from Records Management, it was handled in a reasonable and timely manner.	16	0	1
5. I understand the retention schedule for documents for my program area.	14	2	1
6. I have received training on Records Management. (The Yes answer included TDHCA or another State Agency).	10	6	1
7. I plan on attending the upcoming training to be held by Records Management Coordinator that is scheduled for March 25, 2015	15	1	1
8. Overall, I am satisfied with my experience with records management program.	15	0	1
9. Do you have any other comments, questions, or Concerns? <ul style="list-style-type: none">• There were four staff that commented about not having any interaction with Records Management			

We have no formal findings or recommendations for this section.

F. Other

The RM Coordinator, the ISO and the Deputy General Counsel are working together to update TDHCA policies and procedures to maintain the Information Privacy Security Laws which includes: records, privacy laws, non-disclosure, employee training, encryption and safekeeping of records just as a few of the examples that this team will be reviewing.

This team will be reviewing policies and procedures for electronic documents and updating and implementing new processes if required. Internal Audit sees the value of continuing this collaboration to improve our agencies processes.

We have no formal findings for this section.

We conducted this performance audit in accordance with applicable auditing standards. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We express our appreciation to management and program personnel for their courtesy and cooperation during this review. Please contact me at 512-475-3813 if you have any questions or concerns about the issues or recommendations that are contained in this report.

Sincerely,



Mark Scott, CPA, CIA, CISA, MBA
Director of Internal Audit

[rgk]

cc: Tim Irvine, Executive Director
Cameron Dorsey, Chief of Staff
Gina Esteves, Director of Human Resources
David Cervantes, Chief Financial Officer
Crystal Flores, Records Management Coordinator
Julie Dumbeck, Manager Purchasing/Staff Services

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PRESENTATION

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AUDIT COMMITTEE REPORT ITEM

INTERNAL AUDIT DIVISION

APRIL 16, 2015

1. PRESENTATION AND DISCUSSION OF INTERNAL AUDIT ACTIVITIES

Audit Report #15-004 TDHCA's Payroll Process

We determined that overall the Payroll process is providing services as intended and in accordance with the Department's policies.

We performed an analysis of the TDHCA staff that were on the payroll as of December 31, 2014 to ensure active employees and that there were no ghost employees on the payroll.

Internal Audit recommended that the payroll process be enhanced to limit access to payroll records to authorized personnel only and prevent unauthorized access. The Payroll management has already implemented Internal Audit's recommendation.

Audit Report #15-005 TDHCA's Records Retention Process

We determined that overall the Records Retention process is providing services as intended and in accordance with the Department's policies.

The Records Retention program has a new Coordinator that started in November 2014, and she has reviewed and updated the processes that are included in the Standard Operating Procedures (SOPs), which are currently being reviewed for approval from upper Management.

The Records Retention Coordinator held two trainings with the Records Retention Liaisons from each program and provided the liaisons with the current 2014 Records Retention Schedule.

Consultation of Sub-Recipient Monitoring Processes

Status of FY15 Internal Audit Plan

2. PRESENTATION AND DISCUSSION OF THE STATUS OF EXTERNAL AUDITS, REVIEWS OR MONITORING ACTIVITIES

3. PRESENTATION AND DUSCUSSION OF THE STATUS OF THE FRAUD, WASTE, AND ABUSE HOTLINE AND OTHER FRAUD COMPLAINTS.

<p align="center">The Internal Audit Division received 128 complaints of fraud, waste or abuse in Fiscal Year 2015 (as of February 28, 2015)</p>					
<p align="center">118 complaints were received through our Fraud, Waste and Abuse Hotline</p>	<p align="center">8 were related to the Department's programs or staff:</p>				<p align="center">81 of the allegations were not related to the Department's programs or staff. These callers were directed to the appropriate entity for assistance, e.g., law enforcement or the respective public housing authority.</p>
	<p align="center">Tax Credits 5</p>	<p align="center">HOME 1</p>	<p align="center">Manufactured Housing 1</p>	<p align="center">Personnel 1</p>	
<p align="center">10 complaints were received from other sources</p>	<p align="center">6 were related to the Department's programs:</p>				<p align="center">4 were not related to the Department's programs or there was sufficient information to determine if the allegation related to a Department program or division.</p>
	<p align="center">Tax Credits 2</p>	<p align="center">Section 8 2</p>	<p align="center">Neighborhood Stabilization Program 1</p>	<p align="center">CSBG 1</p>	

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