Executive Summary

The Texas Department of Housing and Community Affairs' (Department's) Manufactured Housing Division (Division) effectively processes and issues Statements of Ownership and Location (SOLs) in accordance with State rules and division policies, and tracks corrections to the SOLs for use in identifying areas for improvement in the SOL issuance process. We tested 36 SOL applications (34 non-priority and 2 priority) and found that all 36 were issued within the timeframes required by the Texas Administrative Code, and all of the required fees were received before the SOLs were issued. The Texas Administrative Code requires that non-priority applications be processed within 15 days and priority within 5 days. The average time to process a non-priority SOL in our sample was 6.0 days.

However, the Division can enhance the tracking of the corrected SOLs in order to improve the usefulness of this data. For example, the Division could track the following information: the total number of unique corrected SOLs that were issued due to errors made by the Division, total number of unique corrected SOLs where the error was found by the customer, total number of unique corrected SOLs where the error was found by the Division, and the types of errors made, such as data entry on name, address, or election type.

In addition, the Division does not have current and complete policies and procedures for the SOL application process. Having current policies and procedures is important because without them staff may not be aware of the correct procedures for processing SOL applications and this could result in inconsistencies among staff.

We also reviewed the operation and authorized access of the Exodus system used to process the SOLs, as well as the process used to request changes or enhancements to the system. We found that Exodus has controls in place to ensure that the SOL information is processed accurately, that only authorized users have access to the system, and that changes or enhancements are appropriately authorized and approved by management.

The Manufactured Housing Division

The Manufactured Housing Division (Division) is responsible for maintaining the official State records regarding the ownership, location, lien status and property status of manufactured homes. These records are referred to as the Statement of Ownership and Location (SOL).

The SOL is the title for a manufactured home. The SOL identifies who owns the home, what the home is being declared as (personal property or real property), where the home is physically located, and information about the home such as serial number, make, model, and size.

The Division collects a fee of $55 for each SOL processed. A fee of $110 is charged for priority handling.

Other Key Points

- Of the 36 SOLS we tested, three (8.3%) were not required to be reviewed by the Document Control group which provides a quality control review of the applications processed. Of the remaining 33 that required a review, 32 (97.0%) were reviewed and only one (3.0%) was not reviewed by the Document Control group prior to issuance of the SOL.
- We tested 20 corrected SOLs and found that 18 (90.0%) were attributed to division error. Two (10.0%) were due to customer error on the original SOL application. In addition, 19 (95.0%) of the 20 corrected SOLs tested had original applications that were regular priority and should

have been reviewed by the Document Control group. Two (10.5%) of the 19 were not reviewed by the Document Control group prior to issuance of the original SOL, which could have prevented the need for a corrected SOL to be issued.

- Of the two corrected SOLs that were not attributed to Division error, the Division did not charge a fee or receive a corrected application from the applicant for either of these SOLs. Although the charge of a fee for processing a corrected SOL is at the discretion of the Division, the Texas Administrative Code requires that a corrected application is received when there is an error on the original application.
- The Exodus system has not undergone an annual audit of internal accounts to review access to the system. We identified two users that were no longer with the Division but still had active accounts in Exodus because their accounts were created in error when the Exodus system was implemented. However, their network accounts were already disabled and therefore it would have been difficult for these users to access the intranet webpage where the link to the Exodus system is located. Both user accounts have since been locked.
- We tested a total of 32 work orders for changes or enhancements to the Exodus system and determined that they were all duly authorized, appropriately controlled and in compliance with the Department's processes. There were 9 work orders where a Software Change Acceptance Form was required. For all 9 (100%), the Software Change Acceptance Form was completed, on-file, and had the required signatures.
- The Division has a memorandum of understanding (MOU) with the Department for administrative services, including information technology (IT) services. However, they are separate from the other areas of the Department that participate in the Information Systems (IS) Steering Committee. The policies and procedures that delineate when IS Steering Committee approval is needed for changes or enhancements to an automated system do not specifically include the Division. In addition, the IS Steering Committee policy statement needs to be updated to reflect that the Division is not part of the IS Steering Committee and would only attend a meeting if they submit an IT project request that would result in the need for additional Information Systems Division (ISD) staff time.

Summary of Recommendations

- The Division should ensure that all SOL applications that require a Document Control review are routed to the Document Control group.
- The Division should either require the collection of the completed and corrected SOL application prior to issuance of the corrected SOL or consider revising the Texas Administrative Code to clarify when a corrected application is required.
- The Division should update their policies and procedures for the SOL application process to reflect the new processes used as part of the Exodus automated system.

- ISD should ensure that an annual audit of the Exodus accounts is performed and should work with Division management to ensure that access level roles are defined appropriately.
- ISD should update their IS Steering Committee policy statement to include the Division and its role in the IS Steering Committee.

Summary of Management Responses

Management agreed with the recommendations outlined in this report and indicated that they are taking steps to implement them.

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Detailed Results

Chapter 1

Statements of Ownership and Location are Processed as Required

The Manufactured Housing Division (Division) utilizes a Statement of Ownership and Location (SOL) as the title for a manufactured home. Customers can apply for an SOL by completing an application located on the Division's website and mailing or faxing in the completed application. The Division uses an automated system called Exodus for processing the SOL applications. Applications, other than priority handling, are quality control reviewed by the Document Control group prior to final issuance of the SOL. We tested a total of 56 judgmentally selected SOLs. Of these, 36 were SOL applications and 20 were corrected SOLs. All 56 were generally processed in accordance with State rules and the Division's internal policies. Of the 36 SOL applications tested, all 36 were issued within 15 days as required by the Texas Administrative Code, and the appropriate fees were received for each SOL. The average time to process an SOL was 6.0 days.

Of the 36 SOLs tested, 3 (8.3%) were not required to be reviewed by the Document Control group. Of the remaining 33, 32 (97.0%) were quality control reviewed and 1 (3.0%) was not reviewed prior to issuance of the SOL. It is the Division's policy that regularly processed SOL applications are reviewed by the Document Control group prior to issuance. When this does not happen, SOLs may be issued to the customer with errors. This can result in additional work for the Division and an inconvenience to the customer.

Corrected SOLs are issued when an error in the original SOL is identified. The error can be due to either staff or customer error. A staff error can be any error on the original SOL, such as incorrect name, address, or property type where the original application contained the correct information. We tested a total of 20 corrected SOLs and determined that the corrections to the SOLs are generally processed in accordance with state rules and the Division's policies.

Of the 20 corrected SOLs tested, two (10.0%) were due to customer error on the original SOL application. The Division did not receive a corrected application for either of the two corrected SOLs that were not attributed to staff error. The Texas Administrative Code requires a corrected application when the customer makes an error on the original application that results in the issuance of a corrected SOL. However, with the new Exodus system used to process applications, the need for a corrected SOL application from the customer may no longer be necessary.

We also reviewed the SOL corrections tracking spreadsheet provided by the Division and determined that the Division is generally tracking the SOL corrections and is using this as a way to identify areas for improvement. However, the tracking spreadsheet can be enhanced to provide more useful information.

Chapter 1-A

Originally Issued SOLs are Processed Promptly

Customers who apply for an SOL have the option of regular or priority handling for the SOL application. Regular handling requires a $55 fee for processing and is required to be issued within 15 business days from the date the completed application was received. Priority handling has a fee of $110 for processing and is required to be issued within 5 working days from the date the completed application is received.

The Division uses the Exodus automated system for processing the SOL applications. Staff are assigned SOL applications to process and once completed they will tentatively issue the SOL. The application and supporting documents are then routed to the Document Control group for quality control review. After this review, the final SOL is issued. The exception to this is for priority handling applications. Priority handling applications are only reviewed by the processing supervisor, manager, or specialists.

Of the 36 judgmentally selected SOL applications we tested:

- All (100%) were processed within the time frames required. The average processing time for the 34 non-priority SOLs in the sample was 6.0 days.
- All (100%) received the necessary fees required prior to issuing the completed SOL.

Time Used to Process Non-Priority SOL Applications

Days to Process	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
# of SOLs Processed	1	3	0	5	9	5	3	0	4	3	0	0	0	0	1

Average Number of Days to Process Non-Priority SOLs: 6.0 days

Of the 36 SOL applications tested, 3 (8.3%) were not required to be reviewed by the Document Control group. Of the remaining 33, 32 (97.0%) were reviewed and 1 (3.0%) was not reviewed by the Document Control group prior to the issuance of the SOL. It is the Divisions' policy that regularly processed SOL applications are reviewed by the Document Control group before they are issued.

Recommendation

The Division should ensure that all SOL applications that require a Document Control review are reviewed as required.

Management's Response

Agree. The procedures and training given to staff will be modified to include language specifying that all regularly processed applications (excluding Priority Handling) should be routed through the Document Control Unit for proofing prior to mailout unless specified otherwise by the manager or supervisor.

Target Date for Implementation: May 1, 2014
Person Responsible: James Oliva, Manager of Processing and Customer Service

Chapter 1-B

Corrected SOLs Require a Corrected Application

Corrected SOLs are issued when an error in the original SOL is identified. The error can be due to either staff or customer error. A staff error can be any error on the original SOL such as incorrect name, address, or property type when the original application had the correct information. We tested a total of 20 judgmentally selected corrected SOLs and determined that the corrections to the SOLs are generally processed in accordance with State rules and the Division's policies.

Of the 20 corrected SOLs tested, 18 (90.0%) were attributed to staff error. Two (10.0%) were due to customer error on the original SOL application. In addition, 19 (95.0%) of the 20 corrected SOLs tested had original applications that were regular priority and should have been reviewed by the Document

Control group. Two (10.5%) of the 19 were not reviewed by the Document Control group prior to issuance of the original SOL, which could have prevented the need for issuing a corrected SOL.

For the two SOLs that were not attributed to staff error, the Division did not charge a fee or receive a corrected application. Although the charge of a fee for processing a corrected SOL is at the discretion of the Division, a corrected application is required by the Texas Administrative Code. However, with the new Exodus system used to process applications, the need for a corrected SOL application from the customer may no longer be necessary because changes to the information can be made directly in the system.

Recommendation

The Division should either require a completed and corrected SOL application prior to issuing a corrected SOL or consider revising the Texas Administrative Code to clarify when a corrected application is required.

Management's Response

Agreed. Currently, while the Administrative Rules specify that an application is required for a corrected SOL to be issued, when not a departmental error, there are instances where we could expedite the correction by obtaining the information from the owner via email or fax reducing the burden or inconvenience. To provide for these instances, language will be added to Chapter 80.90(c)(2)(A) as follows:

If a correction is requested because of an error made by a party other than the Department, the correction will not be made until the Department receives the following:

- *(A) A complete corrected application for Statement of Ownership and Location and any applicable supporting documentation, ~~and~~ or*
- *(B) ~~Any necessary supporting documentation.~~ Documentation deemed appropriate and approved by the Executive Director, pursuant to Chapter 1201.207(c).*

Target Date for Implementation: Propose at summer board meeting for approval by Board in Q-1 of FY 2015

Person Responsible: Joe Garcia, Executive Director

Chapter 1-C

Enhance Tracking of Corrections to SOLs

The Division began tracking corrected SOLs resulting from staff errors in November 2013. From November 2013 through February 12, 2014 a total of 47 corrected SOLs were issued as a result of staff error. The tracking spreadsheet is also used to calculate an individual error rate for each staff member who processes SOLs. This error rate is used as part of the evaluation process for the processors as well as for identifying areas for additional training. After review of the tracking spreadsheet, we determined that the Division is generally tracking the corrections to SOLs and is using this as a way to identify areas for improvement. However, the tracking spreadsheet can be enhanced to provide additional information.

Recommendation

The Division should consider adding the following information to the spreadsheet used to track staff SOL processing errors:

- Total number of unique corrected SOLs that were issued due to staff error,
- Total number of unique corrected SOLs where the error was found by the customer,
- Total number of unique corrected SOLs where the error was found by the Division, and
- The types of errors made, such as data entry on name, address, or election type.

In addition, the Division might consider working with the Information Systems Division (ISD) to incorporate some of these enhancements into the Exodus system as part of an automated report.

Management's Response

Agreed. To help identify necessary training we will work with the IT Division at creating unique entry codes to help identify various correction activity rather than maintaining a spreadsheet. Currently, our processes generally include proofing as a mechanism to catch errors before the SOL is published and sent to the applicant.

Target Date for Implementation: May 1, 2014
Person Responsible: James Oliva, Manager of Processing and Customer Service

Chapter 2

Policies and Procedures for the Current SOL Application Process Should be Updated

The Division does not have current and complete policies and procedures for the SOL application process. The policies and procedures currently in place are dated September 22, 2004 and were signed by the previous executive director. This was prior to the development of the Exodus system currently used to process SOLs. Having current policies and procedures is important because without them staff may not be aware of the correct process in place for processing SOL applications and there may be inconsistencies among staff as a result of not having standard guidelines to follow.

Recommendation

The Division should update their policies and procedures over the SOL application process to reflect the current process.

Management's Response

Agreed. The procedures and SOPs for the Processing Unit exist in part but were not a primary focus considering the post implementation issues encountered with the new system. Now that most bugs have been worked out we will compile the existing procedures and integrate the information into the SOPs and formal procedures.

Target Date for Implementation: July 31, 2014
Person Responsible: James Oliva, Manager of Processing and Customer Service and
Connie Hendon, Processing Supervisor

Chapter 3

Exodus has IT Controls in Place to Ensure SOLs are Processed Accurately

The Exodus system has access, change, and application controls in place to ensure that the SOLs are processed accurately. However, we identified some areas for improvement related to system access. Although the Information Systems Division (ISD) performs an annual account audit of all of the Department's systems to verify system access, the Exodus system has not been included in the annual audit. We identified two users that were no longer with the Division, but had active accounts in Exodus. These accounts were created in error during the rollout of the Exodus system, which occurred after these users left the Division. However, their intranet accounts were disabled, which means that these users had no easy way to access the intranet webpage where the link to the Exodus system is located. When we identified this issue, ISD locked these accounts and also determined that neither of these accounts were used.

The Exodus System

The Exodus system is the automated system of record for processing a Statement of Ownership and Location (SOL.) Exodus was developed in-house by the Department's Information Systems Division. Exodus went live on November 19, 2011. Enhancements to Exodus continue to be made as needed.

ISD's change management policies require that a work order be completed to request a system change in order to fix a problem or to develop a system enhancement. We tested a total of 32 judgmentally selected work orders and determined that they were all duly authorized, appropriately controlled and monitored, and in compliance with the Department's change management processes. There were 9 work orders where a Software Change Acceptance Form was required. For all 9 (100%), the Software Change Acceptance Form was completed, on-file, and contained the required signatures.

We also obtained access to the test environment for the Exodus system and checked the various data fields for validation checks. Validation checks are limits on fields that do not allow a user to input data in a different format than what is required. For example, a validation check will not allow the user to enter text into a section of the form requiring a date. We determined that Exodus has validation checks built into the system that restricts what can be entered into certain fields, and that requires certain key fields to be completed before the SOL application can be processed.

The Division has a memorandum of understanding (MOU) with the Department for administrative services, including ISD services. However, the Division is separate from the other areas of the Department that participate in the IS Steering Committee. The IS Steering Committee is made up of various directors and deputy executive directors at the Department and is responsible for reviewing and approving all system changes that exceed a certain threshold. ISD has not formally documented in their policies and procedures when the Division needs IS Steering Committee approval for IT projects.

Chapter 3-A

Ensure Exodus Access is Audited Annually

The objective of an access control review is to assess the strength of the control environment and the adequacy of the related internal controls over system access. Access controls consist of physical and logical controls that are intended to provide reasonable assurance that system resources are protected against unauthorized access.

We determined that internally, only staff in the Division have access to Exodus. Externally, tax assessor's offices have access to Exodus for the purpose of releasing or uploading tax liens. In addition, the Exodus system interfaces with Texas.gov and allows customers to pay their SOL fees online. Access to Exodus is granted by the ISD help desk staff using the Department's normal access process. The access policy requires that individual users are granted the minimum access level necessary to meet their business need. Supervisors are responsible for deciding the level of access that each employee needs and must complete a system access form to approve requests for additional access. ISD staff are responsible for deleting or de-authorizing users when they change positions or leave the Department. When the Exodus system was created, access was given to the Division's existing employees as required. We tested 11 employees that were granted access to the Exodus system since it was implemented and determined that all 11 (100%) received the appropriate approvals for access.

We also tested all users of Exodus and their assigned authority levels and determined that the Exodus user roles are generally appropriate for each individual's job function and that they have the minimum access necessary to perform their job duties. However, some exceptions were noted:

- We identified two unique users that had left employment but had an active Exodus user ID. Although these user ID's were active in Exodus, their intranet accounts were disabled and it would have been difficult for them to access the intranet webpage where the link to the Exodus system is located. In both cases the accounts were accidently created during the rollout of the Exodus system, which was after these employees left the Division. As a result, these employees had no knowledge of the password assigned to their account. ISD immediately locked these accounts and determined that neither of the user IDs were used after the termination dates of these employees.
- The role, "MH_Exec_Assistant" allows the user to handle returned checks and to receipt refunds. This role was assigned to three accounting technicians because they needed the ability to return checks. However, this role also provides additional access that may not be necessary.
- One role, "MH_BID_INQUIRY", was incorrectly assigned to Division staff because it began with the "MH" prefix. This role was included in the list of MH roles by mistake and is not related to any manufactured housing systems.
- One user still had the "MH_Exec_Assistant" role even though the user's role changed from executive assistant to manager. However, the old role did not provide her with any additional access, and this issue has since been corrected. One user had access to issue and renew licenses although this was not in their job duties.

The system access policy, SOP 1264-01, "User Accounts and Network Access", requires that system administrators annually audit internal accounts for the systems for which they are responsible and complete an account audit form that is submitted to the Department's security administrator. The Exodus system was not included in the annual account audits for fiscal years 2012 and 2013. It is likely that it was overlooked because it was a new system. However, an annual audit of the Exodus system would have most likely identified the access issues we noted.

Recommendation

ISD should:

- include Exodus in the annual audit of the Department's systems to verify user access, and
- work with Division management to ensure that user access levels and roles are defined appropriately.

Management's Response

ISD management agrees with these recommendations and will begin including Exodus in the annual account audit of TDHCA systems, starting with the FY 2014 account audit which is currently underway. ISD will involve MHD management in the account audit each year to ensure user access levels are correct. During the FY 2014 account audit, ISD will address the specific role assignment issues noted in chapter 3-A, based on MHD management decisions.

Target Date for Implementation: April 30, 2014
Person Responsible: Curtis Howe, Director of Information Systems

Chapter 3-B

The Change Control Process is Effective

We performed a change control review to determine if the process for making changes to the automated system is controlled, monitored and in compliance with best practices. ISD has policies and procedures in place for change control. These policies and procedures require that for changes to a custom or third-party system (Exodus is a custom system) a work order is created and entered into the help desk system. In addition, a "Software Change Acceptance Form" must be completed for all software changes moved from the development to the production environment. This form must be signed by the software development manager, the division requestor/tester and the database administrator.

We tested a total of 32 judgmentally selected work orders and determined that they were all duly authorized, appropriately controlled and monitored and in compliance with the Department's change management process. Of the 32 work orders tested, 31 (96.9%) had the appropriate management approval as required. One (3.1%) did not require approval because the work order was withdrawn by management. There were 9 work orders where a "Software Change Acceptance Form" was required. For all 9 (100%) the "Software Change Acceptance Form" was completed, on-file, and had the appropriate signatures as required.

Chapter 3-C

Update the Policies and Procedures for the IS Steering Committee

The Division has a memorandum of understanding (MOU) with the Department for administrative services which includes information technology services. ISD has an IS Steering Committee that reviews and approves any ISD work (such as system enhancements or new systems development) when they exceed a certain threshold of effort. However, ISD has not formalized when the Division would need IS Steering Committee approval for manufactured housing-related projects.

ISD has an IS Steering Committee policy, but it does not include the Division. In addition, the IS Steering Committee Policy statement needs to be updated to reflect that the Division is not part of the IS Steering Committee and therefore would only attend a meeting if they submit an ISD project request that would result in the need for additional ISD staff time. It is important that these policies and procedures are updated to ensure that the process for requesting additional IT services is clear to both the Division and ISD staff and that all necessary approvals are received prior to beginning any additional work.

Recommendation

ISD should update their policies and procedures related to the IS Steering Committee to include the Manufactured Housing Division and their role in the IS Steering Committee.

Management's Response

ISD management agrees with the recommendation and will update IS Steering Committee policies and procedures to define the MHD's role.

Target Implementation: April 30, 2014
Person Responsible: Curtis Howe, Director of Information Systems

Appendix A

Objectives

The objectives of the audit were to determine whether:

- The Statements of Ownership and Location are processed in accordance with state and division regulations,
- Corrections to the Statements of Ownership and Location are tracked and used to identify areas for improvement, and
- Exodus ensures that titling information is processed accurately.

Scope

The scope of this audit for the Statements of Ownership and Location work was fiscal year 2013 and the scope of the information systems work was for the Exodus system since its implementation on November 19, 2011.

Methodology

The following methodology was developed and was used to answer the audit objectives:

- We interviewed staff in the Manufactured Housing Division and the Information Systems Division and reviewed their standard operating procedures, the applicable areas of the Texas Administrative Code and the Occupations Code.
- We tested Statements of Ownership and Location applications to ensure they were issued within the required time frames and that all necessary documentation was received prior to issuance.
- We tested Statements of Ownership and Location that required corrections and identified the reason for the correction and whether it was due to a Division or customer error. We also interviewed staff to determine how corrections are used to identify areas for improvement among staff.
- We performed access controls, change controls and application controls testing of the automated system "Exodus" that was developed by the Information Systems Division for the Manufactured Housing Division.

Criteria

The following documents were used as criteria:

- Texas Administrative Code, Title 10, Part 1, Chapter 80, Subchapter G
- Texas Occupations Code, Chapter 1201, Subchapter E
- Standard Operating Procedure 2500.01, Standard Operating Procedure Development
- Standard Operating Procedure 2502.01, In-House Scanning
- Standard Operating Procedure 2502.04, Statement of Ownership and Location Inventory and Retention
- Standard Operating Procedure 2502.05, Statement of Ownership and Location Proofing
- Standard Operating Procedure 1264.01, User Accounts and Network Access
- Standard Operating Procedure 1264.08, Requesting IS Services
- Standard Operating Procedure 2511.04, Central Tax Collector Security Access

- Standard Operating Procedure 1100.01, Standard Operating Procedures Development System
- Statement of Ownership and Location Application Instructions and Application
- COSO Control Activities, Principle 11: Selects and Develops General Controls Over Technology

Type of Audit

This audit was a performance audit of the Manufactured Housing Division's Titling Process.

Report Distribution

As required by the Texas Internal Auditing Act (Texas Government Code, Chapter 2102), this report is distributed to the:

- Manufactured Housing Division's Governing Board
- Governor's Office of Budget and Planning
- Legislative Budget Board
- State Auditor's Office
- Sunset Advisory Commission

Project Information

We conducted audit fieldwork from February 2014 through March 2014. We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was also conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing.*

The following staff performed this audit:

Nicole Kludt, CFE, CICA, Project Manager
Sandy Donoho, CISA, CGAP, CFE, Director of Internal Audit

Appreciation to Staff

We would like to extend our sincere appreciation to management and staff of the Manufactured Housing Division and the Information Systems Division for their cooperation and assistance during the course of this audit.