



## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

[www.tdhca.state.tx.us](http://www.tdhca.state.tx.us)

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### Texas Department of Housing and Community Affairs Office of Internal Audit Audit Plan for Fiscal Year 2019

#### Statutory and Professional Standards Requirement

The Texas Internal Auditing Act (Texas Government Code, §2102.005) requires state agencies to conduct a program of internal auditing. The *International Standards for the Professional Practice of Internal Auditing (IA Standards)* define Internal Auditing as an “independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

The Texas Government Code and the *IA Standards* require internal auditors to develop an annual audit plan, using risk assessment techniques, that identifies individual audits to be conducted during the year. The Code requires that the plan be approved by the state agency's governing board or by its administrator, if the agency has no governing board.

The program of internal auditing is carried out by the Office of Internal Audit (OIA) which serves at the direction of the Governing Board. The OIA has prepared this audit plan for consideration and approval by the Governing Board.

#### Development of the Annual Audit Plan

The Fiscal Year 2019 plan is designed to cover areas of highest risk to the State and the agency; however, it does not cover all risks. TDHCA management should utilize internal controls and other appropriate methodologies to mitigate residual risks not covered by the audit plan.

The annual audit plan was developed using a risk based methodology which included:

- Obtaining management's and the Governing Board's perspectives through surveys and discussions.
- Consulting with the State Auditor's Office and other oversight bodies.
- Reviewing prior TDHCA meeting minutes, audit report findings and recommendations, and budgetary information.
- Evaluating information about key agency business areas, processes, and systems.
- Considering input from internal audit staff.



- Utilizing a matrix whereby identified auditable units were ranked according to standard risk factors.

## Projects for Fiscal Year 2019 Annual Audit Plan

We have revised our audit universe based on the recent reorganization at TDHCA, and accordingly identified the following units and projects for inclusion in the 2019 Annual Audit Plan. The project numbers are for identification purposes and may not correspond to the order in which the projects are performed. Also included below is a brief description of functions to be reviewed.

### New Audit Projects:

#### 1. TDHCA Resolution of Complaints

The proper handling of complaints is essential to the agency's serving the public and maintaining good will with its stakeholders. TDHCA receives complaints from a variety of sources. The audit will focus on systems for receiving and processing complaints.

The TDHCA Resolution of Complaints rated high on the risk assessment due to public interest and the Department's goal and desire for transparency.

#### 2. Multifamily Revenue Bond

TDHCA is a conduit issuer for the State of Texas with authority to issue tax-exempt and taxable Multifamily Mortgage Revenue Bonds statewide. The bonds are used to fund loans to for-profit and nonprofit developers for the acquisition and rehabilitation or new construction of affordable rental developments. The Multifamily Bond Program is coupled with the Non-competitive (4%) Housing Tax Credit program when the bonds finance at least 50% of the cost of the land and buildings in the Development.

The Multifamily Revenue Bond program rated high on the risk assessment due to its level of complexity of transactions and processes, in addition to interest expressed by Committee members

#### 3. TDHCA Performance Measures

This will cover the accuracy of the measures, as well as potential improvements as to what is measured. Performance measurement serves a number of external and internal agency purposes. Performance measures are integrated into the State's external accountability and fiscal decision making systems. They're revised and / or developed as part of the strategic planning process of the agency. Performance measures should flow from the agency's mission, goals, objectives, and strategies and elements related to strategic plan. They can also be used by the agency to improve operations and communications.

The Governor and the Legislature expect agencies to focus on performance, and hold agencies accountable for their performance variances.



#### 4. Migrant Labor Housing

Migrant labor housing facilities are subject to being licensed under Tex. Gov't Code Chapter 2306, Subchapter LL (§§2306.921-2306.933). Alignment of state requirements with the federal standards for migrant farm worker housing that must be inspected in order to participate in other state and federal programs such as with the U.S. Department of Labor's H2-A visa program is intended to reduce inspection conflicts and allow for cooperative efforts between the Department and other state and federal entities to share information and reduce redundancies.

All Migrant Labor Housing Facilities in the state of Texas, which may include hotels and other public accommodations if owned by or contracted for by employers in the agricultural or agriculturally related industry to house migrant agricultural workers, must be inspected and comply with the requirements in this chapter (§90.3) and 29 CFR §§500.130, 500.132 – 500.135.

Migrant Labor Housing rated high on the risk assessment due to the legislative and public interest expressed in the matter, and also recent management changes.

#### 5. Enforcement Committee

Enforcement Committee consists of employees of the TDHCA appointed by the Executive Director. The executive Director may designate certain members as ex officio and non-voting members. The voting members of this Committee shall be no fewer than five and no more than nine. The enforcement mechanisms include enforcement of contractual provision, Assessment of Administrative penalties, and Debarment as necessary and applicable.

#### 6. Construction Report and Cost Certification

All awardees of a Housing Tax Credit allocation are required to submit a cost certification to TDHCA. The Asset Management Division is responsible for monitoring and processing all post-award activities for developments involving Housing Tax credit, HOME funds, Housing Trust Funds, and Neighborhood Stabilization Program funds. These activities include monitoring and processing Cost Certification and Construction status reports that are required to be submitted by multifamily developments.

#### 7. Public Information Requests

The Texas Public Information Act was adopted in 1973, and gives the public the right to request access to government information. The Act is triggered when a person submits a written request to a governmental body. The Act applies to every "governmental body" in Texas. The definition of the term "governmental body" encompasses all public entities in the executive and legislative branches of government at the state and local levels.

*Government Code, Title 5. Open Government, Subtitle A., Chapter 552, Subchapter A, Section 552.001: "Under the fundamental philosophy of the American constitutional form of representative government that adheres to the principle that government is the servant and not the master of the people, it is the policy of this state that each person is entitled, unless otherwise expressly provided by law, at all times to complete information about the affairs of government and the official acts of public officials and employees..."*



**Carry Over Project:**

**Loan Servicing Section of the Single Family Operations and Services Division**

Loan Servicing is responsible for the set up and maintenance of loan records received in connection with a new loan; the day-to-day servicing functions such as customer service to borrowers and/or authorized representatives of the borrower, providing payoff statements upon request, processing subordination agreement requests, processing payment of various property insurance renewals; performing collection and workout activities for the in-house serviced single family loan portfolio; and annually, process payments for property taxes, completing the escrow analysis process, and the year-end process. The section also works in cooperation with other divisions in processing releases of lien for loan payoff funds received by Financial Administration and posting of loan disbursements approved by program and Financial Administration.

The Loan Servicing Section rated high on the risk assessment and was selected for audit due to the complexity of transactions for various loan programs and various grant requirements.

**Administrative and Statutory Projects:**

- Review of TDHCA compliance with appropriation riders and other requirements of the Government Code
- Annual Audit Plan and reporting
- Annual tracking of the implementation status of prior audit recommendations

**Consulting Projects and External Audit Coordination**

Pursuant to the TDHCA internal audit charter, the OIA performs consulting activities for the agency. For fiscal year 2019, OIA is providing consulting services related to the new Grant Guidance in 2 CFR 200, as well as subrecipient monitoring.

OIA also coordinates and advises on external audit activities.

Sincerely,



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

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