

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

**AGENDA  
08:00 AM  
June 25, 2020**

**Meeting Location:** In light of the March 13, 2020, disaster declaration by the Office of the Governor, and the subsequent waivers of portions of Tex. Gov't Code, Ch. 551\*, this meeting of the TDHAS Audit and Finance Committee will be accessible to the public via the telephone and web link information, below. In order to engage in two-way communication during the meeting, persons must first register (at no cost) to attend the webinar via the link provided. Anyone who calls into the meeting without registering online will not be able to ask questions or provide comments, but the meeting will still be audible. A recording of the meeting will be made available to the public as soon as possible following the meeting<sup>1</sup>.

**Governing Board Webinar registration:**

<https://attendee.gotowebinar.com/register/7575413421244122635>

**Dial-in number:** +1 (415) 930-5321, access code 256-792-799 (persons who use the dial-in number and access code without registering online will only be able to hear the Board meeting and will not be able to ask questions or provide comments). Note, this meeting will be proceeding as a videoconference under Tex. Gov't Code §551.127, as modified by waiver.

If the GoToWebinar terminates prior to adjournment of the meeting (i.e. if the webinar session "crashes") the meeting will be recessed. A new link to the meeting will be posted immediately on the TDHCA Board meetings web page (<https://www.tdhca.state.tx.us/board/meetings.htm>) along with the time the meeting will resume. The time indicated to resume the meeting will be within six hours of the interruption of the webinar. Please note that in this contingency, the original meeting link will no longer function, and only the new link (posted on the TDHCA Board meetings web page) will work to return to the meeting.

**CALL TO ORDER**

**ROLL CALL**

**Sharon Thomason, Chair**

**CERTIFICATION OF QUORUM**

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

**ACTION ITEMS:**

- ITEM 1:** Presentation, discussion, and possible action to approve the Audit and Finance Committee Minutes Summary for March 26, 2020
- ITEM 2:** Presentation, discussion, and possible action on the FY 2021 Operating Budget
- ITEM 3:** Presentation, discussion, and possible action on the FY 2021 Housing Finance Division Budget

**Mark Scott**  
Director of Internal  
Audit  
**Joe Guevara**  
Director of Financial  
Administration

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<sup>1</sup> The list of Open Meeting laws subject to temporary suspension effective March 16, 2020, is available at: <https://www.texasattorneygeneral.gov/sites/default/files/images/admin/2020/Press/Open%20Meeting%20Laws%20Subject%20to%20Temporary%20Suspension.pdf>

## REPORT ITEMS:

- ITEM 1:** Presentation and discussion of Internal Audit of the Purchasing function at TDHCA
- ITEM 2:** Presentation and discussion of Internal Audit of the Section 811 Program
- ITEM 3:** Report on the status of the Internal and External Audit activities

**Mark Scott**  
Director of Internal  
Audit

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

### **EXECUTIVE SESSION**

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, Tex. Gov't Code, Chapter 551 and under Tex. Gov't Code, §2306.039.

Pursuant to Tex. Gov't 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.

Pursuant to Tex. Gov't 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.

Pursuant to Tex. Gov't 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 Tex. Gov't Code, Chapter 551.

Pursuant to Tex. Gov't 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](http://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 auxiliary aids, services or sign language interpreters for this meeting should contact Terri Roeber, ADA Responsible Employee, at 512-475-3959 or Relay Texas at 1-800-735-2989, at least five 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 five 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 cinco días antes de la junta para hacer los preparativos apropiados.

**NOTICE AS TO HANDGUN PROHIBITION DURING THE OPEN MEETING OF A GOVERNMENTAL ENTITY IN THIS ROOM ON THIS DATE:**

Pursuant to Section 30.06, Penal Code (trespass by license holder with a concealed handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a concealed handgun.

De acuerdo con la sección 30.06 del código penal (ingreso sin autorización de un titular de una licencia con una pistola oculta), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola oculta.

Pursuant to Section 30.07, Penal Code (trespass by license holder with an openly carried handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a handgun that is carried openly.

De acuerdo con la sección 30.07 del código penal (ingreso sin autorización de un titular de una licencia con una pistola a la vista), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola a la vista.

**NONE OF THESE RESTRICTIONS EXTEND BEYOND THIS ROOM ON THIS DATE AND DURING THE MEETING OF THE AUDIT COMMITTEE OF THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS.**

# Action Item

1

**AUDIT AND FINANCE COMMITTEE ACTION REQUEST**

**INTERNAL AUDIT DIVISION**

**June 25, 2020**

Presentation, discussion and possible action on Audit and Finance Committee Meeting Minutes Summary for March 26, 2020

**RECOMMENDED ACTION**

**RESOLVED**, that the Audit and Finance Committee Meeting Minutes Summary for March 26, 2020 are hereby approved as presented.

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

On Thursday, March 26, 2020, at 8:00 a.m. the meeting of the Audit and Finance Committee (the "Committee") of the Governing Board (the "Board") of the Texas Department of Housing and Community Affairs ("TDHCA" or the "Department") was held via telephone and web link (GoToWebinar). Committee members Leo Vasquez and Paul A. Braden were present and represented a quorum for the committee meeting.

The first action item on the agenda was approval of the minutes of the September 5, 2019, and December 12, 2019 meetings of the Committee. Minutes were adopted as presented, and were approved.

The next action item on the agenda was the presentation of the annual audits of the TDHCA financial statements by the State Auditor's Office (SAO). It was presented by Robert Pagenkopf, project manager with SAO. He stated that SAO issued two unmodified opinions as part of this audit. One was for the Department's basic financial statements for fiscal year 2019 and one was for the Department's Revenue Bond Program financial statements for Fiscal year 2019.

In both cases it was determined that the financial statements were materially correct and reported in accordance with Generally Accepted Accounting Principles (GAAP). He said that the statements as issued were not misleading to the reader of those financial statements. Additionally, it was concluded that the Department's Housing Finance Division's computation of unencumbered fund balances complies with Texas Government Code Sections 2306.204 and 2306.205.

SAO also issued a report on the Department's compliance with the Public Funds Investment Act for the fiscal year ending August 31, 2019. The result of that work disclosed no issues of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Mr. Pagenkopf also discussed the communication that was issued on December 20, 2019, titled "Required communication with those charged with governance", as well as an unmodified, or clean opinion, issued on the Department's fiscal year 2018 financial data schedule as it related to fiscal year 2018 basic financial statements. SAO also performed agreed-upon procedures and determined that the 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.

Mr. Pagenkopf concluded his presentation and thanked the Staff for their cooperation throughout the audit. He then offered to answer any questions for the Committee members. With no questions from Committee members, Mrs. Thomason asked for a motion to recommend approval of the State Auditor's Office report to the full Board. Motion was passed.

The next report item was the internal audit of the TDHCA Multifamily Bond Program. Neda Sanjar, Internal Auditor, presented this item on behalf of Mark Scott, Director of Internal Audit. She stated that SAO's audit of the TDHCA's financial statements that was just presented included an audit of the Revenue Bond Program and the related financial statements. The SAO audit is required by the Public Funds Investment act, Texas Government Code 2256. The Revenue Bond Program as a financial entity, where TDHCA is the Conduit issuer, is well described in the SAO's report. TDHCA's Internal Audit Division is required to audit the operational internal controls of the agency's major programs. She added that the internal audit report, Audit report # 20-001, lays out the roles and responsibilities of TDHCA and other parties for the Multifamily Bond Program.

Internal audit evaluated and tested various controls of the Multifamily Bond Program and found overall that the program is well run; with good controls in place internally and that the outside parties are appropriately monitored. The report outlines the operational activities of the program. Internal audit had a few recommendations, such as cross training and procurement, which were presented to management. Another item worth mentioning is that effective within the next three years is a change in the Government Accounting Standards, or GASB standards, related to the conduit bond issuers. Under the new GASB standard 91, TDHCA will not record certain assets and liabilities that are related to the Revenue Bond Program. The financial reports will look quite different when the new GASB is implemented.

At the end of the presentation Mr. Braden asked about the effective date of this change. Ms. Sanjar responded that there's no exact effective date but our understanding is that by latest FY 2022. Suzi Nelson, Internal Auditor, added that the actual GASB's effective date is December 31, 2020, however, due to implementation timelines and waiting for guidance from the Comptroller's office, it looks like at the latest fiscal year 2022.

Mr. Vasquez then asked if this change will create off balance sheet debt that we're moving into footnote. Mrs. Nelson responded that GASB is just to clarify the reporting across all governmental entities because some government entities, like TDHCA, have been reporting it fully on their books even though neither State of Texas, nor TDHCA, has any liability related to the securities. Mr. Vasquez and Mr. Braden stated that they think this is a positive change and more accurately reflects what those bonds represent.

Next report item on the agenda was the presentation of External audit activities. Ms. Sanjar presented this item on behalf of Mr. Scott. She stated that there were four external audit

reports of TDHCA issued since the last Audit and Finance Committee meeting. These reports are posted on the SAO's website and sent out to the State leadership offices. One was an audit of the HR classification of IT staff that was issued in January, audit report number 20-701. This report contained a few minor reclassifications for TDHCA that were recommended by SAO and implemented by TDHCA management. The federal portion of the statewide Single audit was completed in February by Clifton Larson Allen, CLA, audit report number 20-555. CLA audited TDHCA's Low Income Housing Energy Assistance Program, or LIHEAP. CLA also audited the Community Services Block grant, or CSBG. They identified an issue with LIHEAP which was related to manual entry of some data. The corrections were made and program management is moving to automate the process.

The financial statement portion of the statewide audit, also report number 20-555, was issued in February by the State Auditor's Office. This is an audit of the state's combined annual financial report (CAFR), and it includes TDHCA's financial statements. The stand-alone audit of the TDHCA financial statements, report number 20-016, was issued in December 2019 and was discussed by SAO staff earlier today. The report covered the Revenue Bond Program and had a different scope than the statewide financial statements audit. Both audits resulted in unmodified, or clean, opinions on TDHCA's financial statements. This concluded Internal Audit's presentation.

Mrs. Thomason asked if Committee members had any questions. With no question, the meeting was adjourned at 8:26am.



# Action Item

2

**AUDIT AND FINANCE COMMITTEE ACTION REQUEST**

**FINANCIAL ADMINISTRATION DIVISION**

**JUNE 25, 2020**

Presentation, discussion, and possible action on the FY 2021 Operating Budget

**RECOMMENDED ACTION**

**WHEREAS**, the Governing Board of the Texas Department of Housing and Community Affairs (the Department or TDHCA) is required to approve a FY 2021 Operating Budget; and

**WHEREAS**, the Department is required to submit the budget to the Governor's Office and the Legislative Budget Board (LBB);

**NOW, therefore, it is hereby**

**RESOLVED**, that the FY 2021 Operating Budget, in the form presented to this meeting, is hereby approved; and

**FURTHER RESOLVED**, that upon approval by the TDHCA Governing Board, the Department will submit the budget to the Governor's Office and the LBB.

**BACKGROUND**

In accordance with Tex. Gov't Code Code §2306.112 *et seq.*, TDHCA is charged with preparing an operating budget for Board adoption on or before September 1 of each fiscal year. The budget includes operational expenses distributed among the Department's divisions. It does not include federal or state program funds that pass through to subrecipients except for administrative funds used by the Department associated with those federal or state funds that are retained and reflected in the budget. This budget anticipates maximizing all federal administrative resources. In addition, in accordance with internal auditing standards and the Board's internal audit charter, the budget includes the Internal Audit Division's annual operating budget.

This FY 2021 Internal Operating Budget, which the Board is being asked to approve, corresponds to the second year of the biennial General Appropriations Act (GAA) passed by the 86<sup>th</sup> Texas Legislature which appropriated \$289,491,426. In total, this budget provides for expenditures and associated revenues of \$28,837,470 or a \$1,109,484 (4%) increase from the prior year's budget.

The budget reflects 309 Full Time Equivalent (FTEs) (64 are related to the Manufactured Housing Division) which are appropriated in the GAA. There are an additional 11 FTEs associated with new non-appropriated federal funds with 10 of these being associated with CARES Act funds.

There is also one Article IX (Temporary) FTE associated with a Fair Housing Initiative Program (FHIP) grant that is set to run through May 2021.

Additionally, the Housing Finance Division budget, which is funded with fees generated from the Department's Bond, Housing Tax Credit, Asset Management, and Compliance activities, decreased by \$206,581 or -1.2%. This decrease is primarily attributed to a decrease in the Capital Budget and salary related savings.

For a complete explanation of the aforementioned budget categories and details, please see the accompanying Comparison Report.

**TEXAS DEPT. OF HOUSING AND COMMUNITY AFFAIRS**  
FY 2021 Operating Budget  
Comparison Report  
June 25, 2020

This Comparison Report provides an explanation of some of the changes to cost categories.

In total, this FY 2021 Operating Budget is \$28,837,470 or a \$1,109,484 (4.0 %) increase over the prior year budget.

\$1,100,961 of this increase is due to additional federal funding associated with the CARES Act and the new Fair Housing Initiative Program (FHIP) grant.

The remaining \$95,286 variance, net of the Capital Budget which decreased \$86,763, resulted in only a .35% increase. Below are the highlights of the FY 2021 Budget describing this change. Please refer to the Comparison by Expense Object schedule on Page 3.

1. **Salaries/Wages and Payroll Related Costs.** These two line items represent 83% of the total operating budget.

The budget reflects 320 Full Time Equivalents (FTEs), an increase of 9 FTES comprised of 11 additional FTEs related to the CARES Act and FHIP grant, offset by 2 eliminated positions.

The Salaries and Wages line item increased by \$794,261 or 4.3%. New CARES Act and FHIP grant staffing accounted for \$847,936 of this increase resulting from 11 additional Article IX (Temporary) FTEs. The remaining \$53,676 negative variance is primarily due to the normal growth rate of 1%, offset by salary savings from eliminated positions and retirements.

Payroll related costs increased \$190,622. The increase in payroll related costs is proportional to the increase or decrease in salaries.

2. **In State Travel.** In state travel increased \$17,485 or 3.1% primarily due to anticipated travel related to the new CARES Act grants of \$20,312, offset by reduction of \$2,827 related to current activities.
3. **Out of State Travel.** Out of State Travel remained unchanged.
4. **\*Professional Fees.** Professional Fees have increased by \$91,876 related to anticipated increases in audit costs and a new contract to support federal cost allocation training. This is offset by a decrease in anticipated costs for the Department's physical inspections and the completion of professional services for the Community Affairs division for ongoing updates related to a database that was part of the Capital Budget.

5. **Materials and supplies.** Materials and supplies decreased by \$25,212 due to an agency wide decrease in cost of consumable supplies such as toner and related materials.
6. **\*Repairs/Maintenance.** Repairs and Maintenance increased by \$29,726 primarily due the establishment of a Mitigation Fund of \$55K by Section 811 PRA Program to support landlords with excessive property damages from vacated tenants offset by lower software and hardware costs.
7. **Rentals and Leases.** Rentals and leases decreased by \$31,059 primarily due to the expiration of the lease agreement for space in Austin for the IS department. The IS staff will be relocated from the Twin Towers Office Complex (TTOC) to the main headquarters building at 221 East 11<sup>th</sup> Street.
8. **Advertising.** Agency advertising costs decreased \$83,350 or 96.2%. The decrease in advertising costs is primarily due to the completion of the initial phase of a marketing contract by the Texas Homeownership Division.
9. **Temporary Help.** Temporary Help increased \$110,608 or 85.1%. The increase in this category is primarily due to the continuation of the marketing contract with a new scope of services by the Texas Homeownership for \$92,000. In addition, the Section 811 PRA Program will execute a new contract to enhance the administration and documentation of the program.
10. **\*Furniture and Equipment.** Included in this category is the Legislature's approval of the Department's Hardware and Software Replacements project for FY 20 and FY21 as it relates to non-capital expenses such as update and replacement of end-user computers and operational software upgrades, including the replacement of desktop computers and laptops that will be six years old or older and software updates. The benefits of these planned purchases include increased security, better performance for end-user computers, and the ability to provide continued support for TDHCA's enterprise systems, such as the Central Database, PeopleSoft Financials, MITAS Financials/Servicing, and the Manufactured Housing System.

This line item decreased \$194,381 or 70.5%, due to an anticipated decrease in non-capital expenditures for items such as computers and printers, the majority of which occurred in the first year (2020) of the biennium.

11. **\*Capital Outlay.** This category is also included in the Department's Hardware and Software Replacement project as it relates to direct capital expenses such as server hardware upgrades and network equipment enhancements, to ensure systems remain supported by vendors and security and reliability remain at high levels. This line item increased \$119,323 due to an anticipated increase in capital expenditures for items such as server hardware replacements, which will occur in the second year (2021) of the biennium.

*\*The Department's Capital Projects are included in Professional Fees, Repairs/Maintenance, Furniture and Equipment and Capital Outlay. These projects include hardware and software replacements, ongoing CAPPs financials license fees, and the Disaster recovery services through the data center services performed by the Department of Information Resources.*

**Comparison by Expense Object**

	2020 Budget (a)	2021 Budget (b)	Variance (b) - (a)	% change	2020 Capital	2021 Capital	2021 CARES and FHIP	Adjusted Variance	Adjusted % Change
Salaries and Wages	\$ 18,488,647	\$ 19,282,908	\$ 794,261	4.30%			\$ 847,936	\$ (53,676)	-0.29%
Payroll Related Costs	4,437,276	4,627,898	190,622	4.30%			197,054	(6,432)	-0.14%
Travel In-State	547,900	565,385	17,485	3.19%			20,312	(2,827)	-0.52%
Travel Out-of-State	141,404	141,404	-	0.00%				-	0.00%
*Professional Fees	1,511,518	1,603,394	91,876	6.08%	51,707	51,709		91,874	6.29%
Material and Supplies	283,506	258,294	(25,212)	-8.89%			1,500	(26,712)	-9.42%
*Repairs/Maintenance	609,876	639,602	29,726	4.87%	46,988	47,731		28,983	5.15%
Printing and Reproduction	23,597	29,622	6,025	25.53%			8,500	(2,475)	-10.49%
Rentals and Leases	135,327	104,268	(31,059)	-22.95%			7,500	(38,559)	-28.49%
Membership Fees	86,930	87,380	450	0.52%				450	0.52%
Staff Development	148,850	152,954	4,104	2.76%				4,104	2.76%
Insurance/Employee Bonds	408,101	420,193	12,092	2.96%			13,158	(1,066)	-0.26%
Employee Tuition	7,000	6,000	(1,000)	-14.29%				(1,000)	-14.29%
Advertising	86,650	3,300	(83,350)	-96.19%				(83,350)	-96.19%
Freight/Delivery	20,950	23,350	2,400	11.46%				2,400	11.46%
Temporary Help	129,950	240,558	110,608	85.12%				110,608	85.12%
*Furniture and Equipment	275,778	81,397	(194,381)	-70.48%	242,628	35,797	4,000	8,450	25.49%
Communication and Utilities	360,900	422,240	61,340	17.00%			1,000	60,340	16.72%
*Capital Outlay	-	119,323	119,323	-		119,323		-	-
State Office of Risk Management	23,826	28,000	4,174	17.52%				4,174	17.52%
<b>Total Department</b>	<b>\$ 27,727,986</b>	<b>\$ 28,837,470</b>	<b>\$ 1,109,484</b>	<b>4.00%</b>	<b>\$ 341,323</b>	<b>\$ 254,560</b>	<b>\$ 1,100,961</b>	<b>\$ 95,286</b>	<b>0.35%</b>
FTES	311	320	9	2.89%			11	(2)	-0.64%
<b>Method of Finance:</b>									
	2020 Budget (a)	2021 Budget (b)	Variance (b) - (a)	% change	2020 Capital	2021 Capital	2021 CARES and FHIP	Adjusted Variance	Adjusted % Change
GR-General Revenue	\$ 816,670	\$ 809,636	\$ (7,034)	-0.86%				\$ (7,034)	-0.86%
GR-Earned Federal Funds	2,310,063	2,277,954	(32,108)	-1.39%				(32,108)	-1.39%
Federal Funds-Non-HERA	6,829,526	7,106,332	276,806	4.05%	97,803	72,782	86,626	215,201	3.20%
Federal Funds-NSP (HERA)	115,129	111,183	(3,946)	-3.43%				(3,946)	-3.43%
Federal Funds-CARES Act	-	1,014,335	1,014,335	-			1,014,335	-	-
Appropriated Receipts - Housing Finance	16,935,318	16,728,737	(206,581)	-1.22%	243,520	181,778		(144,839)	-0.87%
Appropriated Receipts - Migrant Labor Hsng	37,313	34,697	(2,616)	-7.01%				(2,616)	-7.01%
Appropriated Receipts - Manufact. Housing	512,296	511,892	(404)	-0.08%				(404)	-0.08%
Interagency Contracts	171,672	242,703	71,031	41.38%				71,031	41.38%
<b>Total, Method of Finance</b>	<b>\$27,727,986</b>	<b>\$28,837,470</b>	<b>\$1,109,484</b>	<b>4.00%</b>	<b>\$341,323</b>	<b>\$254,560</b>	<b>\$1,100,961</b>	<b>\$95,286</b>	<b>0.35%</b>

## Methods of Finance

The 2021 Budget includes the following sources:

### General Revenue

State appropriated funds including Housing Trust Fund, Housing and Health Services Coordinating Council, and Homeless Housing and Services Program.

Earned Federal Funds - Federal funds appropriated for indirect costs associated with administering federal funds.

### Federal Funds

Federal Funds-(Non-Housing and Economic Recovery Act (HERA)) - Core federal programs such as Community Services Block Grant (CSBG), Emergency Solutions Grant (ESG), HOME, U.S. Dept. of Energy (DOE), Section 8 Housing, Section 811 PRA Program, Low Income Home Energy Assistance Program (LIHEAP), and National Housing Trust Fund.

Neighborhood Stabilization Program - Federally appropriated funds specifically designated for HERA-NSP.

Federal Funds – (CARES Act )- Supplemental funding of core federal programs such as CSBG, ESG, Section 8, LIHEAP, and a new Community Development Block Grant for emergency relief of the impact of the Coronavirus pandemic.

### Appropriated Receipts - Housing Finance (HF):

Bond Admin Fees - Appropriated receipts associated with our Single Family and Multifamily bond programs such as application fees, issuance fees, and administration fees.

Low Income Housing Tax Credit Fees - Appropriated receipts associated with our housing tax credit program such as application fees and commitment fees.

Compliance Fees - Fees assessed to multifamily developers for the purpose of ensuring long-term compliance.

Asset Oversight Fees - Fees assessed to Tax Credit Assistance Program (TCAP) and Exchange property owners for the purpose of safeguarding the Department's financial interest in their properties.

Migrant Labor Housing Fees – Fees assessed for the purpose of inspections of migrant housing facilities.

**Appropriated Receipts (MH)** - Manufactured Housing Division fees generated through inspecting, licensing, and titling activities.

**Interagency Contracts** - Contract with the Texas Department of Agriculture for the Office of Colonia Initiatives (OCI) Self-Help Center's operation and administration; and a contract with the Texas Health and Human Services Commission (HHSC) for the Money Follows the Person program.



**FISCAL YEAR 2021  
OPERATING BUDGET**  
*(September 1, 2020 through August 31, 2021)*

**June 25, 2020**

*Prepared by the Financial Administration Division*



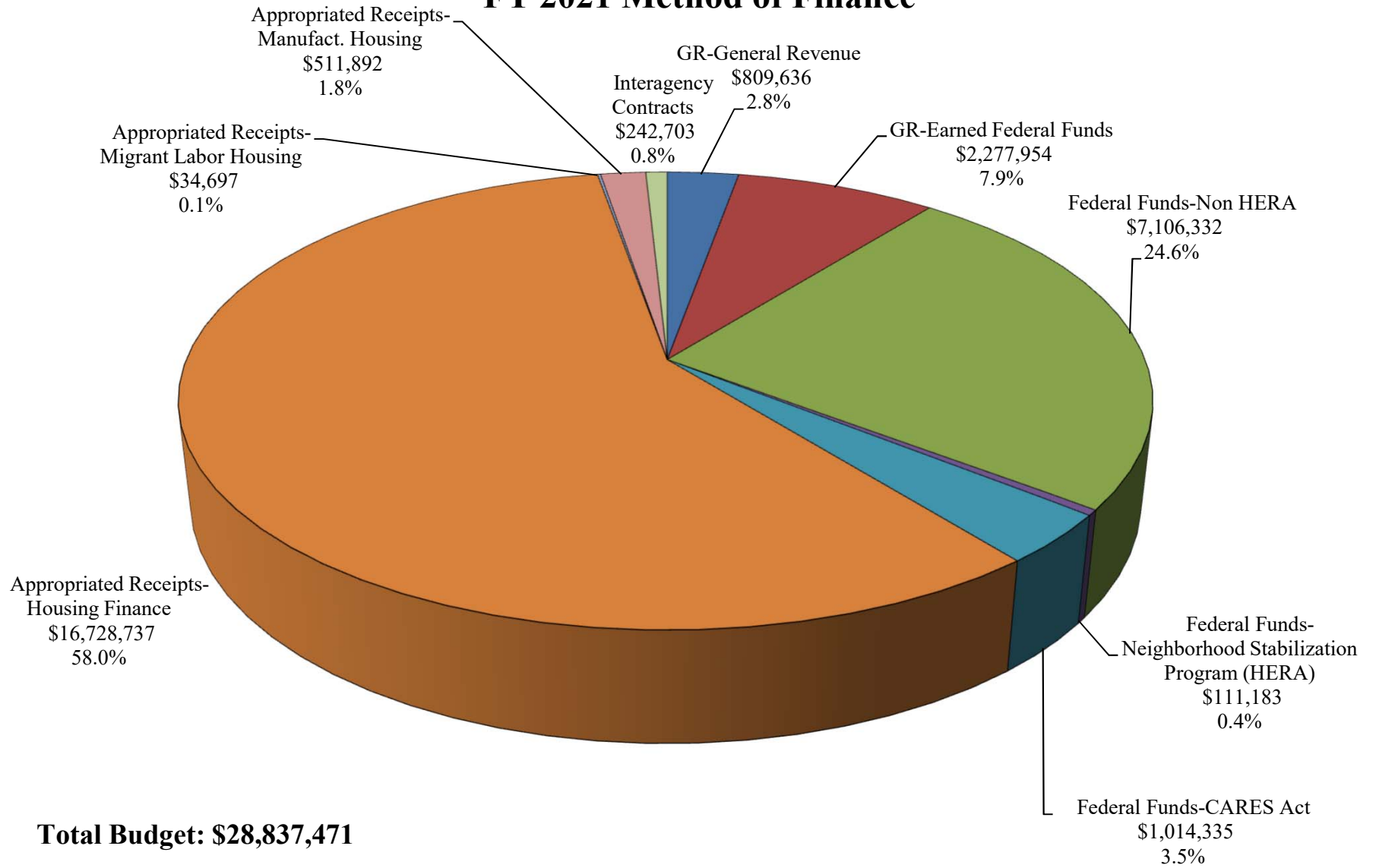
**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
FY-2021 OPERATING BUDGET**

**T A B L E O F C O N T E N T S**

Method of Finance Chart.....1  
Agency Wide - By Method of Finance .....2

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# Texas Department of Housing and Community Affairs FY 2021 Method of Finance



## Agency Wide - By Method of Finance

September 1, 2020 thru August 31, 2021

Budget Categories				Appropriated	Interagency	MH	Total
	General Revenue	Federal Funds	CARES Act	Receipts	Contract	Appropriated Receipts	
Salaries	2,002,951	4,758,112	802,936	11,172,497	141,382	405,030	19,282,908
Payroll Related Costs	581,541	1,103,722	186,254	2,625,241	33,932	97,207	4,627,898
Travel In-State	30,294	196,207	10,000	318,883	10,000	-	565,385
Travel Out-of-State	2,672	42,492	-	96,241	-	-	141,404
Professional Fees	72,179	625,972	-	905,243	-	-	1,603,394
Materials/Supplies	60,318	38,433	500	159,043	-	-	258,294
Repairs/Maintenance	135,634	60,582	-	387,483	55,903	-	639,602
Printing and Reproduction	1,888	12,008	-	15,726	-	-	29,622
Rental/Lease	23,031	23,760	-	57,478	-	-	104,268
Membership Dues	1,762	25,819	-	59,799	-	-	87,380
Staff Development	14,058	42,433	-	96,464	-	-	152,954
Insurance/Employee Bonds	72,421	76,960	12,144	247,527	1,486	9,655	420,193
Employee Tuition	2,615	75	-	3,310	-	-	6,000
Advertising	75	1,500	-	1,725	-	-	3,300
Freight/Delivery	1,324	2,620	-	19,406	-	-	23,350
Temporary Help	20,954	50,962	-	168,642	-	-	240,558
Furniture/Equipment	2,962	27,908	2,500	48,028	-	-	81,397
Communications/Utilities	51,350	92,736	-	278,155	-	-	422,240
Capital Outlay	-	34,116	-	85,207	-	-	119,323
State Office of Risk Management	9,563	1,101	-	17,337	-	-	28,000
<b>Total</b>	<b>3,087,590</b>	<b>7,217,515</b>	<b>1,014,335</b>	<b>16,763,434</b>	<b>242,703</b>	<b>511,892</b>	<b>28,837,470</b>
Budget by Method of Finance, 2020	3,126,733	6,944,655	-	16,972,631	171,672	512,296	27,727,987
Variance from 2020	(39,142)	272,860	1,014,335	(209,197)	71,031	(404)	1,109,484

# Action Item

3

**AUDIT AND FINANCE COMMITTEE ACTION REQUEST**

**FINANCIAL ADMINISTRATION DIVISION**

**JUNE 25, 2020**

Presentation, discussion, and possible action on the FY 2021 Housing Finance Division Budget

**RECOMMENDED ACTION**

**WHEREAS**, the Governing Board of the Texas Department of Housing and Community Affairs (the Department or TDHCA) is required to approve a FY 2021 Housing Finance Division Budget; and

**WHEREAS**, the Department is required to submit the budget to the Governor's Office and the Legislative Budget Board (LBB);

**NOW, therefore, it is hereby**

**RESOLVED**, that the FY 2021 Housing Finance Division Budget, in the form presented to this meeting, is hereby approved; and

**FURTHER RESOLVED**, that upon approval by the TDHCA Governing Board, the Department will submit the budget to the Governor's Office and the LBB.

**BACKGROUND**

In accordance with Tex. Gov't Code §2306.113, the Department shall create a separate annual budget for the Housing Finance Division to certify the housing program fee revenue that supports the Department. While at the time the statute was created such a division existed, the duties associated with the Housing Finance Division have been spread among multiple divisions in the agency as reorganizations to improve efficiency have occurred. This budget is a subset of the whole operating budget and shows the Housing Finance revenues also known as Appropriated Receipts that support the operating budget.

This FY 2021 Housing Finance Division Budget, which the Board is being asked to approve, is \$16,728,737. The Housing Finance Budget complies with the provisions of the General Appropriations Act (GAA).

In addition, in accordance with Tex. Gov't Code §§2306.117 and 2306.118, the Department incurs operational and nonoperational expenses in carrying out the functions of the Housing Finance Division. These types of expenses may be paid only from revenues

or funds provided under this Chapter. The revenue and funds of the Department received by or payable through the programs and functions of the Housing Finance Division, other than funds necessary for the operation of the Housing Finance Division and appropriated funds, shall be administered outside the treasury with the Texas Treasury Safekeeping Trust Company.

## Housing Finance Budget Appropriated Receipts

September 1, 2020 thru August 31, 2021

Budget Categories	Program						Payroll Related Costs	Total
	Executive Administration	Agency Administration	Controls and Oversight	Bond Finance	Programs	Capital Budget		
Salaries	1,600,781	2,865,833	4,309,471	996,634	1,384,126		11,156,845	
Payroll Related Costs	-	-	-	-	-		2,621,485	
Travel In-State	47,569	7,378	219,716	21,070	23,151		318,883	
Travel Out-of-State	29,794	4,178	19,850	24,700	17,718		96,241	
Professional Fees	112,423	270,905	415,023	51,719	3,247	36,925	890,243	
Materials/Supplies	18,561	49,552	57,274	14,692	18,964		159,043	
Repairs/Maintenance	24,619	91,881	156,342	48,885	31,671	34,084	387,483	
Printing and Reproduction	1,689	3,729	2,383	6,050	1,876		15,726	
Rental/Lease	6,019	16,528	16,119	12,492	6,320		57,478	
Membership Dues	49,253	2,735	6,461	1,350	-		59,799	
Staff Development	10,475	30,516	27,590	11,500	16,382		96,464	
Insurance/Employee Bonds	31,543	60,101	102,737	20,459	32,399		247,239	
Employee Tuition	-	1,885	1,425	-	-		3,310	
Advertising	1,500	225	-	-	-		1,725	
Freight/Delivery	1,817	2,512	9,720	4,950	407		19,406	
Temporary Help	33,765	10,083	13,702	100,310	10,781		168,642	
Furniture/Equipment	6,500	6,065	5,395	1,800	2,706	25,562	48,028	
Communications/Utilities	36,444	58,184	96,956	46,888	39,683		278,155	
Capital Outlay	-	-	-	-	-	85,207	85,207	
State Office of Risk Management	1,696	5,489	6,675	1,203	2,273		17,337	
<b>Total</b>	<b>2,014,448</b>	<b>3,487,780</b>	<b>5,466,839</b>	<b>1,364,701</b>	<b>1,591,706</b>	<b>181,778</b>	<b>2,621,485</b>	<b>16,728,737</b>

### Method of Finance:

Single Family Bond Administration Fees	1,724,761
Multifamily Bond Administration Fees	536,307
Compliance Fees	3,497,864.20
Housing Tax Credit Fees	2,374,624.76
Asset Management Fees	463,376
<b>Subtotal:</b>	<b>8,596,934</b>
Central Support Single Family Bond Administration Fees	1,275,020
Central Support Multifamily Bond Administration Fees	1,264,692
Central Support Compliance Fees	2,870,148
Central Support Housing Tax Credit Fees	2,141,583
Central Support Asset Management Fees	580,361
<b>Subtotal:</b>	<b>8,131,803</b>
<b>Total, Method of Finance</b>	<b>16,728,737</b>

# Report Item

1



**AUDIT AND FINANCE COMMITTEE REPORT ITEM**

**INTERNAL AUDIT DIVISION**

**June 25, 2020**

Presentation and discussion of the Internal Audit report on the Purchasing function at TDHCA

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

**An Internal Audit of the Purchasing function at TDHCA**

**Audit Report # 20-003**

**Executive Summary**

The Office of Internal Audit (OIA) reviewed the Purchasing function at TDHCA, its internal controls, and policies and procedures that are currently in place. Based on our reviews and testing, the OIA concludes that the Purchasing function operates in compliance with applicable rules. The OIA has identified the following improvement areas to enhance consistency and efficiency of operation.

**Observations and Recommendations**

- OIA recommends that Financial Administration and the Purchasing division establish a procedure to remove employees' names from PeopleSoft upon their separation from TDHCA.
- OIA recommends that the Purchasing division establish an improved record keeping system to ensure a complete and more consistent documentation process.
- OIA recommends that the Purchasing division establish a procedure for review and reconciliation of monthly credit card statements to improve consistency of the process.

**Management Response**

Management agreed with our recommendations, and detailed responses are included in the body of the audit report.

**Objective, Scope and Methodology**

Our audit scope included a review of the State of Texas Procurement and Contract Management Guide, Texas Government Code 2102 (Internal Auditing Act), Review of Historically Underutilized Business (HUB) program requirements, in addition to policy and procedures established by the Comptroller's office as well as the division Standard Operating Procedures (SOPs).

*Mark Scott*

*May 29, 2020*

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

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Date Signed



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**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

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Greg Abbott  
GOVERNOR

**BOARD MEMBERS**

Leslie Bingham, *Vice Chair*  
Paul A. Braden, Member  
Sharon Thomason, Member  
Leo Vasquez, Member

May 29, 2020

*Writer's direct phone # 512.475.3813*  
*Email: mark.scott@tdhca.state.tx.us*

Board Members of the Texas Department of Housing and Community Affairs ("TDHCA")

RE: Internal Audit of the Purchasing function

Dear Board Members:

This report presents the results of the Office of Internal Audit ("OIA") "*Audit of the Purchasing function at TDHCA.*" This audit was conducted in accordance with applicable audit standards. It included the objectives to evaluate and explain the *Purchasing* function and its activities, and to evaluate its compliance with applicable rules.

The purchasing division undergoes biennial "post payment" audits by the Comptroller's Office. No Internal Audit or SAO audits have been conducted recently, and the director of the Purchasing division has recently retired. The Purchasing function was identified during the 2020 fiscal year risk assessment, and rated high on the risk assessment due to lack of recent audits of the function, as well as recent changes in the management of the division.

### **Background**

The Purchasing section of the TDHCA's Financial Administration division is responsible for coordinating and managing all aspects of the procurement process for goods and services obtained by the Department. The Purchasing division provides procurement for all offices located in Austin, Texas as well as all of the Department's Field Offices. Procurement processes are followed to ensure compliance with procurement rules and regulations, and to obtain the best products and services available for the

best value. The purchasing division follows the Comptroller Procurement Manual for proper processing as well as the Department's Standard Operating Procedures (SOP).

The Purchasing division administers the requirements of Historically Underutilized Businesses (HUB) opportunities related to TDHCA procurements, and encourages and assists potential HUB vendors to be certified through the State Comptroller of Public Accounts, State Procurement Division (SPD).

The Purchasing division is also responsible for receiving and processing of requisitions, development of specifications, development of statement of work, the issuance of purchase orders against existing statewide, cooperative or agency contracts, and the verification of the inspection of merchandise or receipt of services by the agency.

### **Scope and Methodology**

Our audit scope included a review of the State of Texas Procurement and Contract Management Guide, Texas Government Code 2102 (Internal Auditing Act), Review of Historically Underutilized Business (HUB) program requirements, in addition to policy and procedures established by the Comptroller's office as well as the division Standard Operating Procedures (SOPs). We also reviewed and examined aspects of the purchasing functions that fall under other divisions, such as Financial Administration.

### **Procurement Requisition (PR)**

The Procurement Requisition (PR) is an online document that defines the needs for goods and services for the Department, and is approved through PeopleSoft software. Each Division can initiate and enter a PR for an item into PeopleSoft, which would be routed to Financial Administration for budgetary coding and approval after being approved by the Division Director.

Some PRs and purchases may require additional steps depending on the items. For example; any PR over \$10,000 requires additional approval by the Executive Director, or his designee, prior to submission to the Purchasing division, and any technology products and services should be routed through the Information Systems division. The Department requires an approved PR prior to any purchase.

We reviewed and tested a sample of 20 PRs for accuracy, consistency, and compliance with applicable rules and approval processes. We used a Random Number Generator to select our sample from a population of PRs that were submitted and approved between June 2019 and March 2020. The sample represented PRs from different price categories.

In our review we've noted that some of the previous employees of TDHCA were still listed as "approvers" on PeopleSoft. Those employees no longer had access to the PeopleSoft software and could not have approved any PRs.

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
20-003.01	OIA recommends that Financial Administration and the Purchasing division establish a procedure to remove employees' names from PeopleSoft upon their separation from TDHCA	7/1/20	Director of Financial Administration

### Management Response

*Financial Administration acknowledges this recommendation. Upon separation from TDHCA an employee's access to any system is immediately terminated. The update of the file listing employees' names on CAPPS Financials is not automatically updated but there is no risk of unauthorized access. Financial Administration is coordinating with personnel in the Information Systems Division to develop a process to ensure this list is updated promptly.*

### Posting and Notification of Solicitation

The Department posts notification of solicitation opportunities according to the Comptroller Procurement Manual and Texas Government Code §2155.083. The purchasing staff uses the information available on Texas Comptroller's website to create lists of potential CMBL and HUB vendors, as well as to retrieve specific vendor information. Procurement solicitations that are anticipated to be \$25,000 or more are posted on Electronic State Business Daily (ESBD).

- The Central Master Bidders List (CMBL); is a master database used by the state of Texas purchasing entities to develop a mailing list for vendors to receive bids based on the products and services they can provide to the state of Texas. Manufacturers, suppliers, and other vendors wishing to furnish materials, equipments, supplies, and services to the state are required to register for the CMBL through Texas Comptroller's website to receive bidding opportunities.
- Historically Underutilized Business program (HUB) is explained in more detail in the later section of this report.

### Request for Proposal (RFP), Request for Qualification (RFQ)

A Request for Proposals (RFP) is a written solicitation document for purchases acquired by means of the competitive sealed proposals procurement method. Generally, an RFP is recommended when factors other than price are to be considered, negotiations are desired, requirements cannot be described by detailed specifications included in a Purchase Order (PO), or the vendor is expected to provide innovative ideas.

A Request for Qualifications (RFQ) is generally used for professional services wherein the respondents are evaluated based solely on their qualifications and skills. The solicitation method is more like an application process, where it is very clear what is expected from the vendor. Price is negotiated after the agency selects its preferred respondent based on how well the respondents met the published qualifications. Vendors must respond to an RFQ by submitting their qualifications to perform specified work. The submissions are reviewed to determine the qualified respondents who are requested to prepare a proposal, including cost, to perform the specific work as may be embodied in an RFQ. In an RFQ the price is not a factor until after the vendor is selected.

During fiscal year 2019 there were a total of five RFPs and two RFQs that were completed and processed at TDHCA. OIA reviewed the records and documentation related to each for accuracy, completeness, and compliance with applicable rules and regulation. The results of our review included some deficiencies in record keeping of the RFP and RFQ documentation. For example, we found that some of the RFP / RFQ folders only contained blank templates of the forms and applications, or an incomplete risk assessment or scoring matrix document.

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
20-003.02	OIA recommends that the Purchasing division establish an improved record keeping system to ensure a complete and more consistent documentation process.	8/31/20	Director of Financial Administration

**Management Response**

*Financial Administration acknowledges this recommendation. The Purchasing division has effective internal controls to ensure the review and evaluation of RFPs and RFQs in compliance with procurement laws and regulations before executing a contract award. Historically the documentation of this process has been in the form of hard copy folders which are complete. It has transitioned into an electronic filing process and the items listed are due to this transition but any risk is mitigated by the continued maintenance of the hard copy files. In order to improve this transition and reduce the risk of incomplete electronic files, the Purchasing section will be developing a checklist to ensure the file's completeness. The checklist will be reviewed and signed by the Financial Services Manager.*

**Procurement Credit Cards**

The Department may only use procurement credit cards issued under the State Procurement Division (SPD) contracts. The procurement credit card may be used as a payment method for goods and services purchased for dollar amounts within the Department's purchasing authority and the cardholder's authorized charging limit. The Texas Procurement and Contract Management Guide

requires agencies to maintain a procurement file or log for each card transactions and must include the NIGP Class<sup>1</sup> and Item code, and best value determination.

The procurement credit card may be used to pay for capital or controlled assets, utilizing the expenditure object code established for the type of assets being purchased. The Texas Identification Number (TIN), Payee Identification Number (PIN), or Vendor Identification Number (VIN) of the selling vendor is entered into USAS by Financial Administration staff.

Currently there are four credit cards under Purchasing division’s master account. The four card holders are the three purchasing staff, and the Director of Information Systems. In our review we’ve noted that the contact individual for the master account was one of the previous employees of the TDHCA. The contact information has since been corrected and changed to the current manager of Financial Services.

We reviewed the credit card statements and backup documentation, and reviewed the processes currently in place to reconcile credit cards’ monthly charges. We found that the Department doesn’t appear to have documented guidelines regarding the review and reconciliation of procurement credit cards’ monthly statements, and documentation and record keeping of monthly charges. The current process seems to be manual and inconsistent. For example, there is no electronic log for the credit card charges, and the manual logs are scanned in at later time and date by each purchasing staff. We also found that part of approval and authorization process could be verbal conversations.

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
Texas 20-003.03	OIA recommends that the Purchasing division establish a procedure for review and reconciliation of monthly credit card statements to improve consistency of the process.	8/31/20	Director of Financial Administration

**Management Response**

*Financial Administration acknowledges this recommendation. The Purchasing Division has the proper internal controls to ensure that credit card transactions are properly approved and validated. Although staff does perform a review of transactions on credit card statement and compares to Purchase Requests, the process can be improved. They will work to establish written procedures to ensure that the reconciliation process is outlined to have consistency and proper documentation. In addition, it will require management review and approval.*

<sup>1</sup> The National Institute of Governmental Purchasing (NIGP) Commodity Book is offered through Texas Comptroller’s office to be used by bidders, vendors and state agency personnel. State agencies use the class item numbering and descriptions found in this book to properly code products or services on their requisitions and purchases.

## Historically Underutilized Business (HUB)

The State of Texas developed the HUB Program that has been in place for a number of years. The goal of this program is to actively involve HUBs in the Texas procurement process and ensure that they receive a fair share of state business. The Statewide Procurement Division administers the HUB program in accordance with Texas Government Code §2161, Texas Administrative Code, Title 34, Section §20.281 to §20.298.

The Texas Government Code §2161.251 requires that all contracts with an expected value of at least \$100,000, except for federally funded contracts, must include a HUB Subcontracting Plan. The state of Texas has determined that State Agencies and Universities are required to achieve certain percentage in each of the following categories for procurements

Heavy Construction 11.20 %  
Building Construction 21.10%  
Special Trade 32.90%  
Professional Services 23.7%  
Other Services 26.0%  
Commodities 21.10%

Agencies are required to submit semi-annual and annual HUB reports to the Comptroller showing the expenditures made with both HUB and non-HUB vendors. OIA reviewed the TDHCA's semi-annual and annual reports for fiscal year 2017, 2018, 2019, and we found that TDHCA has met the minimum requirements set by the state of Texas.

OIA extends our appreciation to management and staff of Financial Administration and the Purchasing division for their cooperation and assistance during the course of this audit.

Sincerely,

*Mark Scott*

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



# Report Item

2

**AUDIT AND FINANCE COMMITTEE REPORT ITEM**

**INTERNAL AUDIT DIVISION**

**June 25, 2020**

Presentation and discussion of the Internal Audit report of the Section 811 Program

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**  
**An Internal Audit of the Section 811 Project Rental Assistance Program**  
**Audit Report # 20-004**

**Executive Summary**

The Office of Internal Audit (OIA) reviewed TDHCA's Section 811 Project Rental Assistance Program, its internal controls, and policies and procedures that are currently in place. Based on our reviews and testing, the OIA concludes that the Section 811 Project Rental Assistance (PRA) Program operates in compliance with applicable rules. In the five years since inception, the Program accomplished the following:

- Texas leads the nation within participating states with number of households served of 485 and available rental units of 570
- Trained and positioned 34 Referral Agencies with multiple agents from HHSC
- Accepted 3,196 applications leading to 485 housed with 2,165 on the waiting list
- Contracted with 148 properties to offer highly subsidized, affordable housing for the eligible targeted population
- Worked closely with Information Systems, Financial Administration, Multifamily Finance, and Compliance to modify current processes, administrative rules and systems to administer the Program which requires both property and tenant level coordination
- Fully committed the first \$12M FY2012 award successfully as of April 2020

The OIA has identified the following recommendations to strengthen user access controls and improve efficiency of operations.

**Observations and Recommendations**

1. OIA recommends that the Section 811 PRA program establish updated, signed and dated SOPs for key processes to create consistency and efficiency for all parties involved in the program.
2. OIA recommends the development of a business case for presentation to the IS Steering Committee for certain aspects of the program such as applicant referrals from the waitlist and online applications.
3. OIA recommends that Information Systems review the current infrastructure that serves as the base for the CMTS Section 811 PRA module to provide upgrade or replacement options.
4. OIA recommends that Information Systems determines and implements the best available method of segregating Manufactured Housing employees from access to TDHCA specific program information, especially that which includes private applicant level data.
5. OIA recommends that Information Systems creates a new method of access to the underlying data within the system to limit access to the appropriate users defined by the Program.
6. OIA recommends that the process of reviewing and inputting applications ensures that initial rejection letters for age or income are sent to the applicant timely.
7. OIA recommends the creation of policy in consultation with HHSC to address appropriate approval of the Verification of Disability.
8. OIA recommends that the application for Section 811 PRA Program assistance be updated and simplified for future applications.
9. OIA recommends that the waitlist management process be reviewed and other procedures considered for efficiency and continued effectiveness, such as verification of certain information prior to referral rather than while on the waitlist.
10. OIA recommends that Financial Administration evaluate automating the manual process of inputting property owner payments utilizing data files provided by Blueprint.
11. OIA recommends the periodic review of access lists of critical systems to ensure appropriately restricted access to processing and information.

**Response:**

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

### Objective, Scope and Methodology

Our scope included a review of the Texas Government Code (TGC), as well as the Texas Administrative Code (TAC) applicable to the program. Based upon our preliminary understanding of the Section 811 PRA Program, we identified critical points and risks, and developed our audit objectives accordingly.

*Mark Scott*

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Mark Scott, CPA, CIA, CISA, CFE, MBA  
Director, OIA

6/1/2020

Date Signed



**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

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**BOARD MEMBERS**  
Leslie Bingham, *Vice Chair*  
Paul A. Braden, Member  
Sharon Thomason, Member  
Leo Vasquez, Member

June 1, 2020

*Writer's direct phone # 512.475.3813*  
*Email: mark.scott@tdhca.state.tx.us*

Board Members of the Texas Department of Housing and Community Affairs ("TDHCA")

RE: INTERNAL AUDIT OF THE SECTION 811 PROJECT RENTAL ASSISTANCE PROGRAM

Dear Board Members:

This report presents the results of the Office of Internal Audit ("OIA") "*Review of the Section 811 Project Rental Assistance (PRA) Program.*" This audit was conducted in accordance with applicable audit standards. It included the objectives to evaluate and explain the Section 811 PRA Program and to evaluate the administrative and internal control procedures related to the program.

The Section 811 PRA Program rated high on the risk assessment and was included in the approved Fiscal Year 2020 audit work plan because the program has not been audited since inception in 2015, in addition to its perceived susceptibility to fraud.

This report is divided into the following sections:

- A. Background
- B. Noteworthy accomplishments
- C. Scope and methodology
- D. Roles and responsibilities of each party in the Section 811 PRA program
- E. Processes and flow of transactions
- F. Testing and review
- G. Other audit work

## A) Background

Persons with physical disabilities, intellectual or developmental disabilities, or severe mental illnesses face difficulty in finding suitable housing together with supportive services so they can live as active members of their community. For these individuals, it can be difficult to find accessible units if needed; some may face discrimination in searching for housing; and due to lower participation in the workforce and lower incomes, availability of housing and services is relatively low. As a result of these limitations, persons with disabilities have historically had difficulty finding housing, and may unnecessarily live in restricted settings such as nursing homes, psychiatric hospitals, or board and care homes rather than living independently. Those not living in such facilities may still live in group homes or small multifamily housing developments dedicated to persons with disabilities instead of on their own in the community. Many people living in the community are cost-burdened.

National recognition of the need for appropriate housing for persons with disabilities occurred after the 1999 Supreme Court decision in the case of *Olmstead v L.C.* in which two women who had spent years in a psychiatric hospital argued that their institutionalization constituted discrimination under the Americans with Disabilities Act. The Supreme Court agreed, finding that “states are required to provide community-based treatment for persons with mental disabilities when the State’s treatment professionals determine that such placement is appropriate, and the placement can be reasonably accommodated.” In response to the decision, the federal government worked in cooperation with the states to fund programs that would ensure full participation in society of persons with disabilities. In 2010, Congress passed the Frank Melville Supportive Housing Investment Act, which amended Section 811 of the Cranston Gonzalez National Affordable Housing Act of 1990 to establish a new project rental authority providing funding to state housing agencies via grants from the Department of Housing and Urban Development. Section 811 PRA provides rental assistance to properties on behalf of assisted tenants, and development funding is provided to property developers via multifamily development programs operated by State Housing Finance Agencies, which includes Low Income Housing Tax Credits administered by the Internal Revenue Service.

As the key housing agency for the state, the Department elected to implement the Section 811 Project Rental Assistance (PRA) program with its initial awards in the 2012 and 2013 HUD Notice of Funds Available (NOFA) of approximately \$12M each. The Program provides project-based rental assistance for extremely low-income persons with disabilities linked with long term services. The Program is made possible through a partnership between TDHCA, the Texas Health and Human Services Commission (HHSC), the Department of Family and Protective Services and eligible multifamily properties. The Section 811 PRA program creates the opportunity for persons with disabilities to live as independently as possible through the coordination of voluntary services and providing a choice of subsidized, integrated rental housing options. To date, the Program has housed over 485 households across Texas and is the leader among participating states in both households served and funds fully committed from the FY2012 grant. The Program is currently focusing on committing the FY2013 funds and is hopeful to receive additional grant awards from HUD’s FY2019 NOFA and the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020.

## **B) Noteworthy Accomplishments**

The Section 811 PRA Program, created in 2015, is relatively new to the Department and has come with many built-in challenges from the complexity and layers of rules and regulations, the number of partnerships that must be established and nurtured, and the vulnerability of the target population. Over the five years since the Program started, the team accomplished the following as of current date:

- Texas leads the nation within participating states with number of households served of 485 and available rental units of 570
- Trained and positioned 34 Referral Agencies with multiple agents from HHSC
- Accepted 3,196 applications leading to 485 housed with 2,165 on the waiting list
- Contracted with 148 properties to offer highly subsidized, affordable housing for the eligible targeted population
- Worked closely with Information Systems, Financial Administration, Multifamily Finance, and Compliance to modify current processes, administrative rules and systems to administer the Program which requires both property and tenant level coordination
- Fully committed the first \$12M FY2012 award successfully as of April 2020

With very few resources and only high level requirements from HUD, the team designed a Program that has been decidedly effective in meeting its goal of housing as many of the eligible population as the grants will allow.

## **C) Scope and Methodology**

Our scope included a review of applicable portions of the Texas Government Code and TDHCA Board resolutions, as well as the program's Standard Operating Procedures (SOPs). Based upon our preliminary understanding of the Section 811 PRA Program we identified critical points and risk, to develop audit objectives and an audit program including methodology.

We reviewed the Section 811 PRA Program's goals, processes, and roles and responsibilities. We reviewed the controls related to the Program and tested certain transactions and controls. The Texas Internal Auditing Act, Tex. Gov't Code §2102.005 requires auditing of a state agency's major programs and systems.

### **Standard Policies and Procedures**

An SOP is a procedure specific to the operation of a division that describes the activities necessary to complete tasks in accordance with applicable rules and regulation. It defines expected practices in a process where quality standards exist. SOPs play an important role in any organization and division as policies, procedures and standards needed to operate in a successful way. They can create efficiencies, consistency and reliability, fewer errors, and value added to the division.

As the program moves from the start-up phase into a period of sustainability, the Section 811 Program team has been working on standardizing processes and documenting them into SOPs. Many of the key processes reviewed had draft SOPs in progress.

**Observation**

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
20-004.01	Internal Audit recommends that the Section 811 PRA program establish updated, signed and dated SOPs for key processes to create consistency and efficiency for all parties involved in the program.	8/31/2020	Director of Section 811 PRA Program

**Management Response**

*The Section 811 Program acknowledges this recommendation, is committed to finalizing all draft SOPs, and will ensure that all key processes operate under finalized signed and dated SOPs. Program staff have identified 14 key processes that should be articulated under a formalized SOP. Two of the 14 SOPs are fully complete and in place while the remaining are in draft form only. Program staff will complete the remaining draft processes as final signed and dated SOPs no later than August 31, 2020. These 12 Section 811 Program Key Processes Include:*

CMTS Updates With IS	Adding/Removing Serv-U Users	TRACS Voucher Approval
Conflict Management and Tenant Complaints	Owner Participation Agreement Reassignments	Unit Projections and Tracking of Expenditures
Handling Program Reasonable Accommodation Requests	PRA Portfolio Management	Wait list Closure
RAC Management	Special Claims for Vacancy	Risk Mitigation Fund



## **D) Roles and Responsibilities of each party in the Section 811 PRA Program**

- **TDHCA Staff**

The Section 811 PRA program consists of four operational staff: a Director, program coordinator, program specialist and program liaison. The team has grown from two to four staff as program was awarded additional funding and increased the number of households served. This team completes all administrative activity related to the program including application intake and updates, waitlist management, voucher review and approval, budget review, property owner/manager contracting, and customer service/communication to the various partners of the Program.

The Section 811 PRA program is supported in the Financial Administration division by the Grant Accounting team to manage the payments flow from HUD to the property owners/managers and by Information Systems, primarily due to the use of the Contract Monitoring and Tracking System (CMTS) which includes a module specifically for managing elements of the program.

The Compliance and Monitoring team also supports the program to ensure that Section 811 Program properties are in compliance with HUD and TDHCA program rules requirements. They perform both desk reviews and onsite visits in tandem with the ongoing schedule of reviewing properties participating in the Department's Multifamily Programs.

- **Health and Human Services Agencies (Referral Agents)**

Health and Human Services Agencies are the gatekeepers in referring applicants to the Section 811 PRA Program. Their responsibilities under the Program are defined in an Interagency Agreement between TDHCA and HHSC. These individuals are responsible for identifying and assisting appropriate applicants to refer to subsidized, independent housing.

- **Blueprint (Technology Vendor)**

Blueprint is a component of the City of Austin which has become a trusted vendor in the low income housing data processing space. The vendor has the technology needed to submit both financial vouchers and recertification of income eligibility from the participating properties to HUD's processing system, Tenant Rental Assistance Certification System (TRACS), in the file formats required. Blueprint performs validation checks on the data as required by HUD as well.

- **Property Manager / Owner**

Property owners and managers are committed to the Program via Owner Participation Agreement and Rental Assistance Contracts with TDHCA. They are ultimately responsible for ensuring tenant compliance with the Program rules, HUD income limits, and their own tenant selection plans, which are reviewed by the Department.

## **E) Processes and Flow of Transactions**

The Section 811 PRA Program commenced with a partnership between TDHCA and HHSC as a strong preferential qualifier of HUD's FY2012 NOFA announcement. The Interagency Cooperative Agreement dated July 25, 2012 established a formal structure for continued collaboration to establish and implement the Program. The agreement outlined roles and responsibilities, detailed the target populations to be served, described the agencies' respective commitments to provide voluntary services to tenants, and sets forth the methods for outreach and referral. The specific policies and procedures have evolved over time with a focus on continuous improvement and communication among the parties. The Section 811 PRA Program is unique to the Agency in that it manages not only property engagement but is also involved with identifying tenants and bringing many parties together to meet its primary goal of housing the most vulnerable population.

In conjunction with annual Multifamily Low-Income Housing Tax Credit efforts, participation in the Section 811 program was an option provided to property owners/developers. Requirements included but are not limited to restrictions regarding age, income and number of committed units. Several properties were identified and contracted to the Program in QAP years 2015 to 2019. The Program has its own Participation Agreement that is signed by the Property Owner in which the property is committed to signing the Rental Assistance Contract and receiving referrals upon request of the Department. While working to obtain property commitments, the Section 811 team was also coordinating through the HHSC agencies to identify applicants who could benefit from independent living. This was a slow process at first, but once training was created and provided and Referral Agents (RAs) became more familiar with and embraced the Program, applications for consideration of independent living arrangements from the targeted population exploded and there are now over 2,000 potential tenants on its waiting list. Because of this overwhelming demand, the Program has been forced to close the waitlists to new applicants for some regions it serves.

The waitlist and underlying tenant information is tracked in the Section 811 PRA module in CMTS. This module was built using the Real Choice Systems grant awarded to the State of Texas in 2012. At the time of implementing this system, business requirements were changing rapidly and Information Systems developed the module within the current structure of CMTS, which is one application in the suite of systems commonly referred to as the Central Database (CDB). Since that time, IS has been working with Program staff on continuous improvements. Some components of the underlying architecture of the system are outdated as well as the version of the application programming language in which it is built. IA determined this by interviewing IS and Program staff, reviewing emergency production access requests to the system, review of the Program's technology requests list as well as gaining an understanding of the manual versus automated processes within the Program. As a result, and as the program has matured, the system has not proven as flexible as required for the complexity of the processes involved. This has led to excessive manual processing and workarounds, use of fields in the system for different purposes than originally defined, and multiple spreadsheets and databases required to manage the Program.

Because of the reliance on these critical databases and spreadsheets, and the privacy concerns relative to applicant/tenant level data, IA reviewed the network access to these resources. IA found that there were user groups defined to some of these resources that had excessive and inappropriate access, primarily the default user group “Domain Users” which includes all TDHCA and Manufactured Housing employees. This default Active Directory (AD) security group has list and/or read access into the shared drives that include Section 811 Program data, as well as modify access into the shareable database drives.

IA also examined open 2019 work requests with IS submitted by the Program that had not been resolved. IA reviewed a request opened in October 2019 to restrict access to sensitive data that the Access databases utilize for Program reporting.

**Observations**

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
20-004.02.a	Internal Audit recommends the development of a business case for presentation to the IS Steering Committee for certain aspects of the program such as applicant referrals from the waitlist and online applications.	8/31/2020	Director of Section 811 PRA Program
20-004.02.b	Internal Audit recommends that Information Systems review the current infrastructure that serves as the base for the CMTS Section 811 PRA module to provide upgrade or replacement options.	7/31/2020 12/31/2020	Director of Information Systems
20-004.02.c	Internal Audit recommends that Information Systems determines and implements the best available method of segregating Manufactured Housing employees from access to TDHCA specific program information, especially that which includes private applicant level data.	8/31/2020	Director of Information Systems
20-004.02.d	Internal audit recommends that Information Systems creates a new method of access to the underlying data within the system to limit access to the appropriate users defined by the Program.	12/31/2020	Director of Information Systems, Director of Section 811 PRA

## **Management Responses**

*20-004.02.a – Program Management acknowledges the recommendation and to the extent that the module activities addressed in the response below warrant, staff will submit a request for system changes to the IS Steering Committee. If needed, Program will submit this request to the IS Steering Committee by August 31, 2020.*

*20-004.02.b - ISD management acknowledges the observation. ISD staff have been working with Section 811 staff since December 2019 to make improvements to the current system and began the process of creating a custom module for Section 811. In December 2019 ISD staff met with Section 811 staff and were made aware of limitations and inefficiencies in the current system. ISD with Section 811 staff input decided on a two prong approach to resolve the issues. First ISD would work with Section 811 staff and make improvements to the current system. ISD staff have completed six work orders since December to implement the improvements and have two recently opened work orders for additional improvements. These improvements have increased the efficiency of the system and decreased the application process time for Section 811 staff. Secondly, ISD staff worked with Section 811 staff to gather requirements for creating a new module within CMTS specifically designed for the Section 811 program and has begun the process of coding the new module. This effort is currently in progress.*

*20-004.02.c - ISD management acknowledges the recommendation and will evaluate the best way to segregate Manufactured Housing (MH) and TDHCA employees on Microsoft Windows file servers folder security. ISD will implement custom security groups to further protect Personally Identifiable Information (PII) from unintended access.*

*20-004.02.d – ISD management acknowledges the recommendation. ISD was previously working on steps to resolve this issue. ISD is taking a multi part approach to resolve the issue. The first step was changing the account password. This step has been completed. The second step is working with agency staff at a divisional level to gather information about the type of access they need to CDB data. ISD staff was working on this step, but due to COVID-19 priorities work on this step has been paused for the moment. The third step will be creating individual accounts for each division and working with divisional staff to transition to the new accounts. The fourth step will be removing access from the original account. This will be the last step. As ISD is now in a better position with COVID 19 demands we will continue making progress on this project. Program Management will coordinate with the IS Division however they need to ensure the appropriate system access.*

Applications for the Program are only accepted if submitted by an HHSC authorized RA. The applications are uploaded into TDHCA's Serv-U file sharing system and reviewed by the Section 811 Program team, with all data input into CMTS manually and any deficiencies in the paperwork sent back to the RA for resolution. Information gathered on the application includes designation of disability to determine the applicant's placement of target population, thus qualifying the applicant for the Program; HUD required forms including consent to access certain personal information and Verification of Disability that is similar to the target population information on the first part of TDHCA's application; and information regarding income, current living status, and other personal details of the applicant. The forms require signatures of the applicant, referral agent and other licensed medical personnel throughout.

Internal Audit reviewed multiple applications when validating the tenant application and waitlist management process. There were inconsistencies in the paperwork and upon closer review IA determined that the application is overly complex and redundant at times, potentially causing confusion to the applicant and/or RA. In addition, IA noted that there were required forms which expire within 15 months of signature, some of which had expired at the point of review. In some instances, it appeared that the RA, who often filled out the application, was also signing off on the Verification of Disability which is required by HUD and provides the ultimate validation of the applicant's status. Lastly, due to the backlog of applications, some applicants that should have been rejected outright due to age or income did not receive rejection letters until six or more months from application.

Since CMTS is the primary system utilized by the Program, IA reviewed multiple layers of user access to Section 811 functions within the system and found that access was appropriately granted.

**Observations**

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
20-004.03.a	Internal Audit recommends that the process of reviewing and inputting applications ensures that initial rejection letters for age or income are sent to the applicant timely.	8/31/2020	Director of Section 811 PRA Program
20-004.03.b	Internal Audit recommends the creation of policy in consultation with HHSC to address appropriate approval of the Verification of Disability.	6/1/2020	Director of Section 811 PRA Program
20-004.03.c	Internal Audit recommends that the application for Section 811 PRA Program assistance be updated and simplified for future applications.	8/31/2020	Director of Section 811 PRA Program

## **Management Responses**

*20-004.03.a – Program Management acknowledges this observation and will further evaluate its application intake review and acceptance/rejection process. Any identified areas of improvement will be integrated into appropriate SOPs by August 31, 2020. In addition, the process of reviewing and inputting applications, and ensuring timely rejections, if warranted, is already improving as the Program closes waiting lists and as the Referral Agent network becomes more experienced (reducing the number of ineligible applicants).*

*20-004.03.b – Program Management acknowledges this recommendation and has already been working with HHSC and DFPS to establish a new policy on who can sign the Verification of Disability form. This guidance will be provided to the Referral Agent network on May 29, 2020.*

*20-004.03.c – Program Management acknowledges this observation and is committed to continuous improvement of the Program Application. Program staff will review the current version of the application and will finalize an updated version, if needed, by August 31, 2020.*

Due to the high demand for independent housing by the targeted populations, the Program has implemented procedures to review, update and manage the waiting list. On a periodic basis, applicants that have been on the waiting list for a specified time frame and have not had a recent update to their application are contacted via the RA and/or directly to confirm that they want to remain on the waiting list and that contact information is current. Waitlist management is a new process and will evolve based on the feedback the Program receives. Because of the vulnerability of the population, the Program makes every attempt to keep the applicants on the waitlist if possible, so the applicant has many chances to remain. Currently, the reasons an applicant may be removed from the waitlist are that the applicant is no longer eligible for the Program, the applicant requests to be removed, or the applicant has lost contact with the RA and TDHCA-initiated direct contact to the applicant based on information from the RA or application information residing in CMTS has been unsuccessful.

Internal Audit observed that while the waitlist management procedures were followed effectively, the process is tedious and time consuming. Because the properties are ultimately responsible for verifying income and other Program and HUD requirements, eligibility other than the applicant's target population status and the ability to contact are all revalidated by property managers at the time of referral for housing.

## **Observation**

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
20-004.04	Internal Audit recommends that the waitlist management process be reviewed and other procedures considered for efficiency and continued effectiveness, such as verification of certain information prior to referral rather than while on the waitlist.	8/31/2020	Director of Section 811 PRA Program

## **Management Response**

*Program Management acknowledges 20-004.04 and will reevaluate the current waitlist management process and the applicant timeline. Streamlined processes will be reflected in updated SOPs and implemented no later than August 31, 2020.*

Property managers are required by the Participation Agreement to notify the Program when vacancies exist so that new applicants may be referred to the property. The property data in CMTS includes a property level waitlist that TDHCA staff utilizes to determine which applicants should be referred to the vacancy. TDHCA refers several individuals in order of the waitlist so that the property may continue pursuing a tenant if the first applicant does not respond or qualify. The Program often directly assists the RAs and applicants during the property tenant selection process to request reasonable accommodations and coordinate among the parties.

Once approved, the property manager executes a HUD approved Section 811 tenant lease directly with the tenant which allows the property to house the applicant. To begin receiving Project Rental Assistance, the property must execute a Rental Assistance Contract, record the Use Agreement and establish itself in HUD Secure Systems. It will then be able to submit a monthly voucher, which is the request for payment. This request for payment must come in the form of an electronic voucher that is sent to TDHCA's vendor, Blueprint. Blueprint receives all the individual voucher files from the participating properties, performs validation checks and accumulates them into a total payment voucher. Once reviewed and approved by Program staff, Blueprint sends the voucher information to HUD in its specified format and requests release of funds from HUD's secure system, eLOCCS.



HUD releases payment directly to TDHCA, and Financial Administration (FA) allocates these funds to property owners using internal invoices. Each invoice specifies funds to be paid to each property owner (as some may have multiple properties participating in the Program). Both the total of the Section 811 PRA grant by NOFA award year and the individual Rental Agreement Contract totals by property are monitored by FA to ensure that payment requests will not exceed the amounts allocated by grant or by contract. TDHCA receives administrative payments for the cost of administering the Program which FA requests directly from HUD using eLOCCS based on current budget needs.

The amounts from the grant are reported on the financial statements as an income and related expense item. The amount due to properties is booked into an account payable and related cash account that is reconciled along with all other sub-recipients of TDHCA grants. TDHCA does not maintain cash balances for the Section 811 grant; payments to the property owners are made within a few days of receiving the award from HUD.

IA noted that the process of inputting each property owner for payment requires a vendor number for the PeopleSoft invoice payment system that is not included on the vouchers created by Blueprint. FA manually looks up each vendor number based on RAC numbers, and in one instance a payment was sent to the wrong vendor and had not been found through secondary review. The property owner contacted Program staff, and the accounts were adjusted the following month with no further issue. A manual process requires acceptance of some level of risk, and IA does not consider this instance significant. However, as the Program continues to receive grants and additional funds from HUD, a greater number of properties will increase the complexity of the process. Based on further discussion, IA found that the FA team already uses a file upload for another Program that involves a large number of payees. Similar automation for the Section 811 related input could streamline this process and minimize risk of human error.

Because the HUD-based information systems, TRACS and eLOCCS, are utilized by Blueprint and TDHCA employees to track and process these payments, IA reviewed the access list for these critical systems. IA noted that three employees who had terminated or no longer required access were on the access list.



## **Observations**

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
20-004.05a	Internal Audit recommends that Financial Administration evaluate automating the manual process of inputting property owner payments utilizing data files provided by Blueprint.	8/31/2020	Director of Financial Administration
20-004.05b	Internal Audit recommends the periodic review of access lists of critical systems to ensure appropriately restricted access to processing and information.	8/31/2020	Director of Section 811 PRA Program

## **Management Responses**

*20-004.05a – Financial Administration acknowledges this observation. The Grant Accounting section currently processes approximately 60 Section 811 vouchers. The current automated process, the Section 8 Multivendor file upload, currently processes approximately 500 vouchers. This customized program is specific to parameters of the Housing Choice Voucher Program (Section 8). Management will evaluate the Multivendor file upload process to determine what modifications are necessary and determine if they will be cost effective.*

*20-004.05b – Program Management acknowledges this observation and is reviewing all critical systems to ensure appropriately restricted access to processing and information. Once complete, updated user access lists will be sent to IS to limit the number of users who can access each critical system. This work will be complete no later than August 31, 2020.*

The Compliance and Monitoring Division regularly monitors the Section 811 PRA Program compliance requirements by desk reviews and physical inspection as outlined in the Participation Agreement and Program rules. Because the final tenant selection and ongoing eligibility reviews are completed by the property managers, continual monitoring provides assurance that the properties are following TDHCA Program rules as well as HUD requirements.

The Section 811 PRA Program has accomplished many of its initial goals by building an infrastructure to attract and successfully identify both the suppliers of affordable housing, property owners and the consumers of it, applicants in the targeted population. As the Program moves into a period of sustainability, the team maintains several ongoing projects to address current system limitations or improvement opportunities to coordinate with both external and internal parties. IA encourages this focus on continuous improvement and review for efficiencies within Program administration along with better outcomes for tenants.

## **F) Testing and Review**

As part of our audit we reviewed multiple records and transactions from both an applicant/tenant and property owner/manager perspective. Reviewing the transactions included the origination of the activity via applicant application to the program and property owner contracting with TDHCA, tracking them within the processes noted above and through to the accounting systems and processes. Transaction Flow Review documents are included at the end of this report for the major processes evaluated in the audit scope (See Exhibit A). We reviewed IRS and HUD rules, Texas Administrative Code, TDHCA rules and the qualified allocation plan, as well as Division level policy, procedures and SOPs to ensure consistency. Based on our reviews, the function of the Section 811 PRA Program is effective and maintains compliance to the rules under which it operates. In addition, the risk of potential fraud to the Program is mitigated by the detailed review of tenant information and qualifications by many parties independent of each other including HHSC, TDHCA Program staff, Property Managers, HUD and TDHCA Compliance Division staff.

## **G) Other audit work**

This is the first comprehensive internal audit of the Section 811 PRA Program's processes and controls. TDHCA contracts with the Texas State Auditor's Office ("SAO") to conduct annual financial statement audits of the Revenue Bond Program. The latest audit was issued in December 2019 and stated that the financial statements were presented in accordance with Generally Accepted auditing Principles ("GAAP"). As part of that audit, SAO reviews Information Systems general controls. Blueprint is a subsidiary of the Housing Authority of the City of Austin, and that entity goes through a Single Audit every year which is submitted with the biennial Request for Proposal.

OIA extends our sincere appreciation to the Directors of the Section 811 PRA Program, Information Systems, and Financial Administration and their respective teams for their cooperation and assistance during the course of this audit.

Sincerely,

*Mark Scott*

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

MS, NS, SN

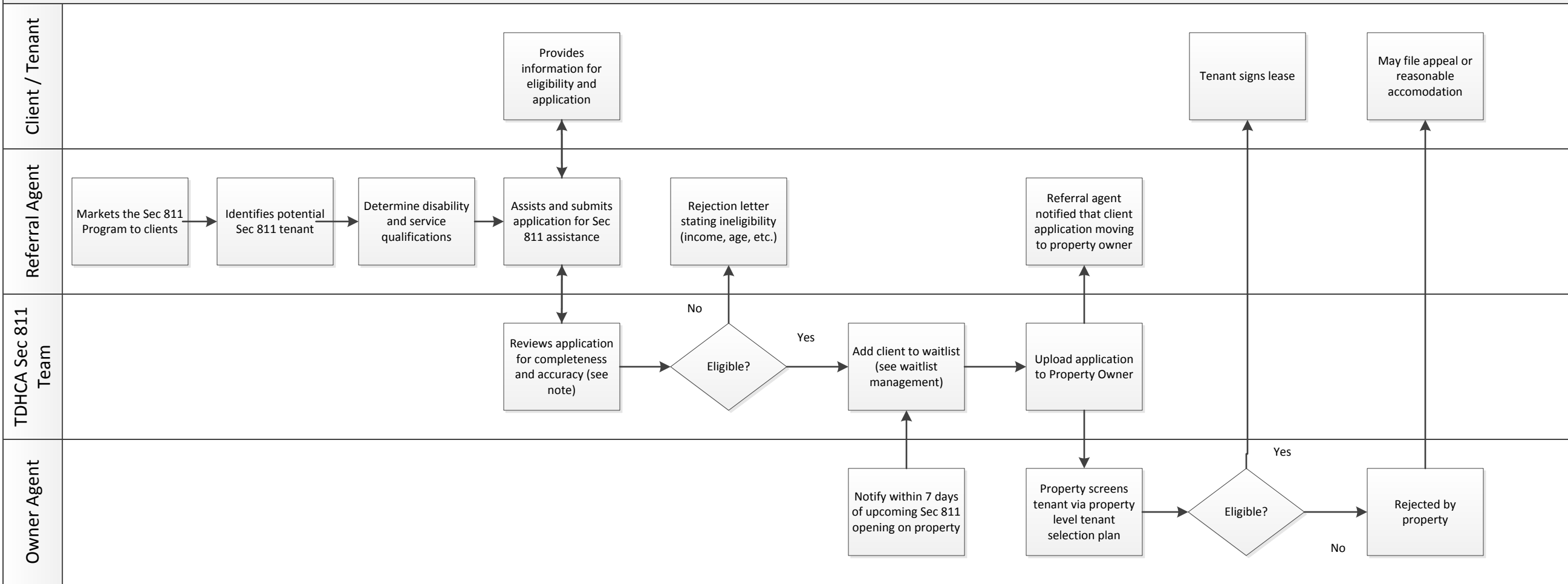
# **Exhibit**

**A**

TDHCA Section 811 PRA Application Process

Exhibit A

Prepared by Suzi Nelson

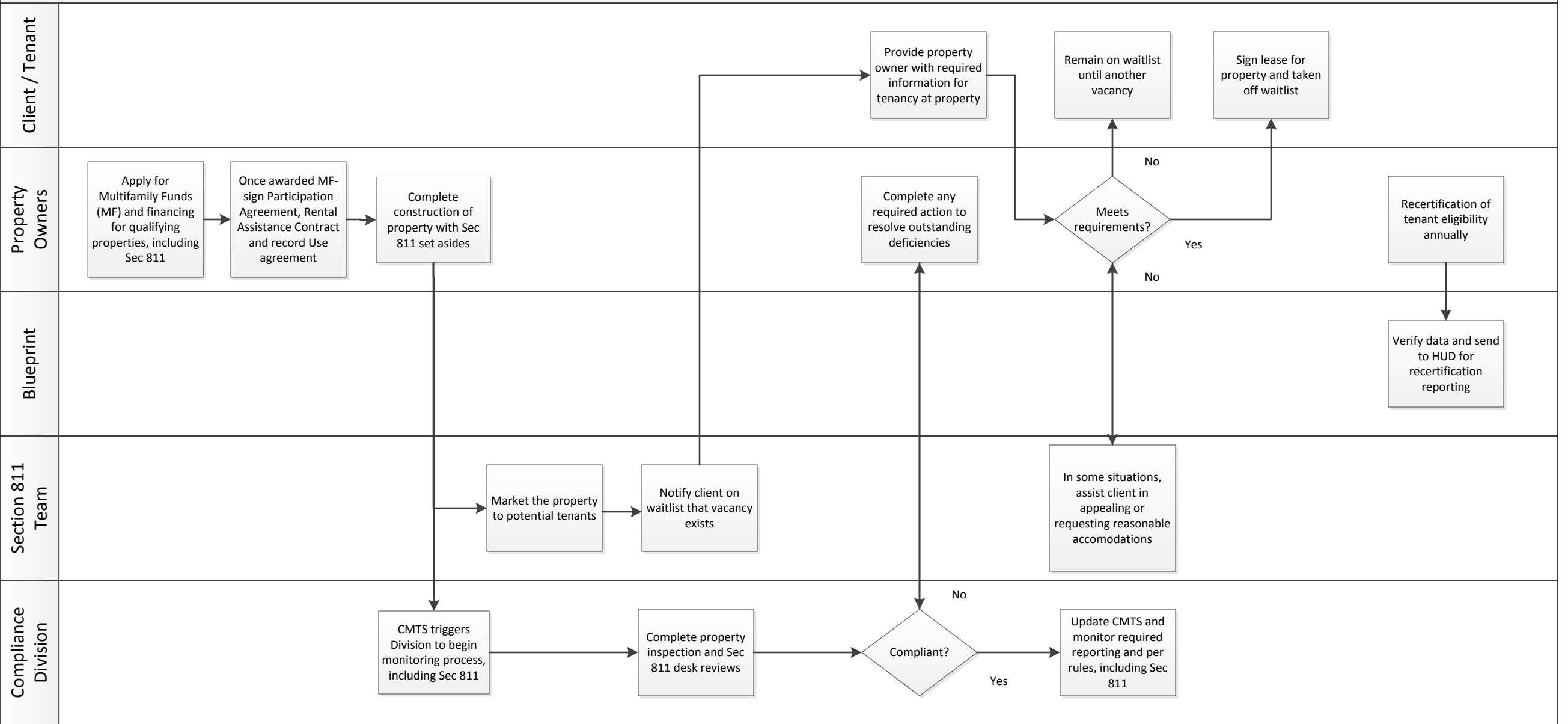


Notes:

- Currently application is fillable PDF and requires upload to TDHCA via ServU. IS working on ability to key directly into Section 811 module of CMTS.
- Waitlist management is required due to demand exceeding supply of eligible living spaces.
- The Referral Agent is key to originating the application process and can be from one of the following:
  1. HHSC Relocation Contractors and Managed Care Organizations for nursing home residents
  2. HHSC Local Authority Coordinators for persons exiting institutions
  3. Local Mental Health Authorities for those with mental illness
  4. DFPS via child protective services caseworkers for those existing foster care
  5. The Sec 811 properties may also refer potential tenants
- Upon submission, TDHCA reviews for completeness and provides feedback to Referral Agent. RA has 30 days to cure any deficiencies.

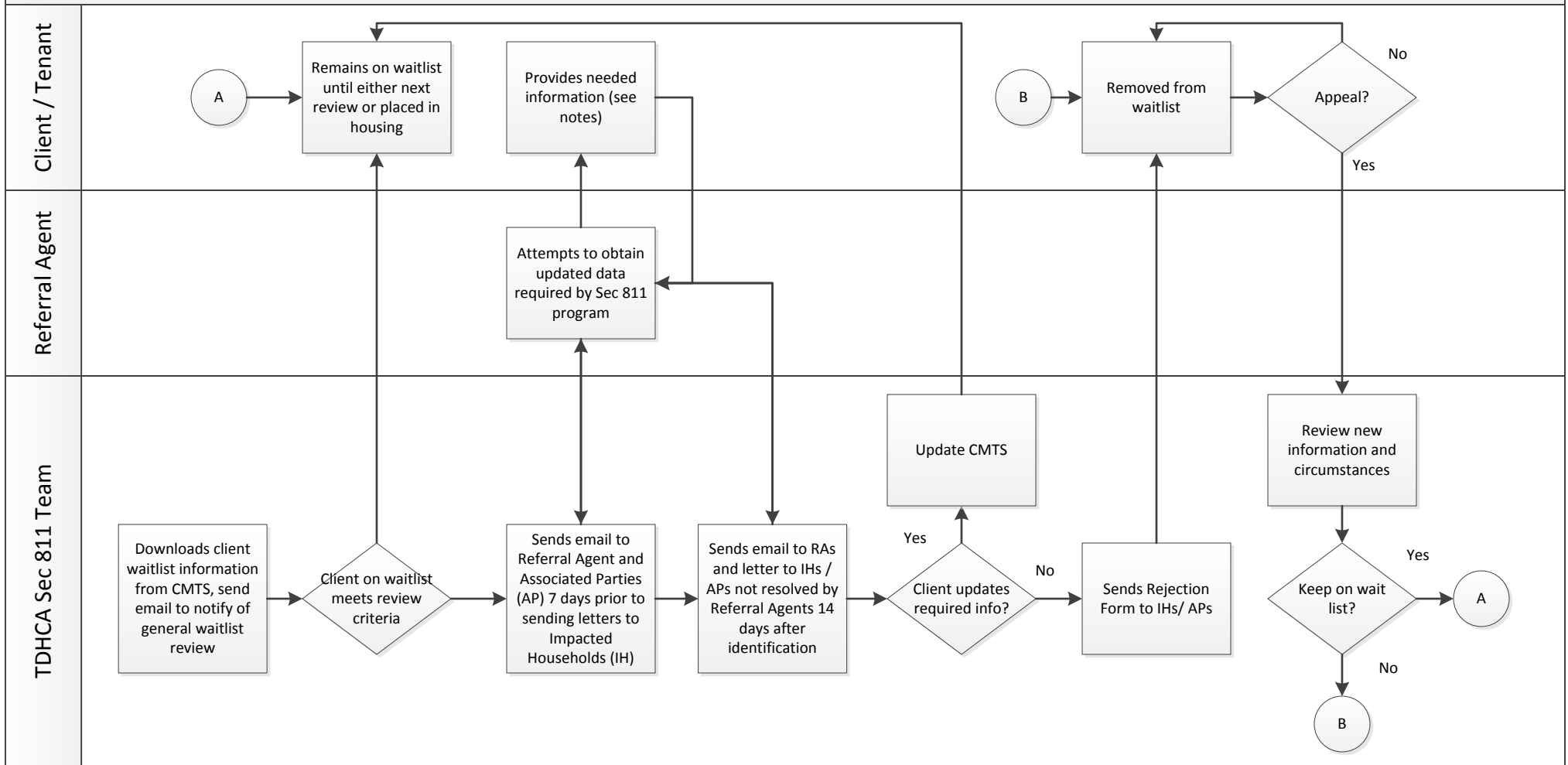
TDHCA Section 811 PRA Owner / Developer Selection and Monitoring Process

Prepared by Suzi Nelson



# TDHCA Section 811 PRA Quarterly Waitlist Management Process

Prepared by Suzi Nelson

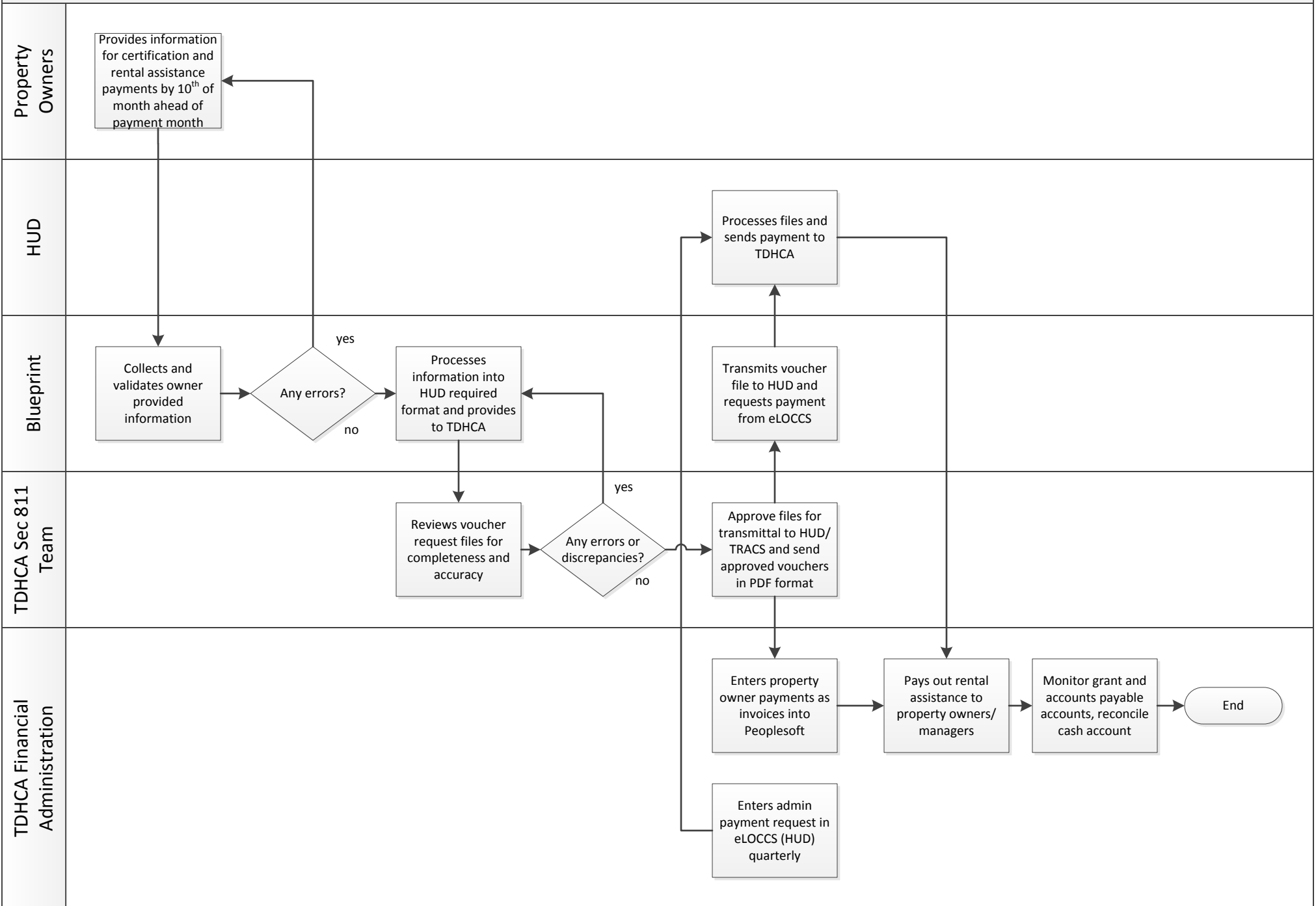


**Notes:**

- Currently criteria for review is that contact information not updated in more than 182 days AND client on waitlist for more than 730 days. (Impacted Households)
- Waitlist management is required due to demand exceeding supply of eligible living spaces.
- The Program requires updated information as noted:
  1. Confirmation or update of Associated Party contact information
  2. Confirmation or update of Impacted Household's contact information
  3. Determination if Impacted Household desires to stay on waitlist
  4. Whether Impacted Household would like to be added to more waiting lists available to the County in which client resides
  5. Request for removal, moving from Texas, or death of client will remove client from waitlist.
- Sec 811 staff performs continual updates of application data when received from any authorized party.

# TDHCA Section 811 PRA Voucher Processing

Prepared by Suzi Nelson



# Report Item

3



**AUDIT AND FINANCE COMMITTEE REPORT ITEM**

**INTERNAL AUDIT DIVISION**

**June 25, 2020**

Report on the status of the Internal and External Audit activities

## **Verbal Report**