

Texas Department of Housing and Community Affairs
Manufactured Housing Board Meeting
August 15, 2014

Michael H. Bray, Chair

Myeshi Briley, MS, HS-BCP, Member

Brenda J. Swinney, Member

Sheila M. Vallés-Pankratz, Member

Donnie W. Wisenbaker, Member

**Texas Department of Housing and Community Affairs
Manufactured Housing Board Meeting**

August 15, 2014

ROLL CALL

	<u>Present</u>	<u>Absent</u>
Michael H. Bray, Chair	_____	_____
Myeshi Briley, MS, HS-BCP, Member	_____	_____
Brenda J. Swinney, Member	_____	_____
Sheila M. Vallés-Pankratz, Member	_____	_____
Donnie W. Wisenbaker, Member	_____	_____
Number Present	_____	
Number Absent		_____

_____, Presiding Officer

MANUFACTURED HOUSING BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
1500 N. Congress, Capitol Extension Committee Room E2.026
Austin, Texas 78701

August 15, 2014 10:30 a.m.

AGENDA

CALL TO ORDER, ROLL CALL Chair

CERTIFICATION OF QUORUM Chair

The Board of the Manufactured Housing Division of the Texas Department of Housing and Community Affairs (TDHCA) will meet to consider and possibly act upon:

ACTION ITEMS

- | | | |
|---------|--|-------------|
| Item 1. | Consideration and action to approve the minutes of the board meeting on November 15, 2013. | Chair |
| Item 2. | Presentation, discussion and action for approval of Texas Manufactured Housing School (TXMHS), request for approval to continue as a Continuing Education Provider. | Jim Hicks |
| Item 3. | Presentation, discussion and action to approve the FY 2015 Operating Budget. | Kassu Asfaw |
| Item 4. | Presentation, discussion and action to approve the execution of amendment to the Administrative Services Agreement for FY 2015 between the Manufactured Housing Division and TDHCA. | Kassu Asfaw |
| Item 5. | Presentation, discussion and action to approve the FY 2016 - 2017 Legislative Appropriations Request. | Kassu Asfaw |
| Item 6. | Presentation, discussion and possible action to approve adoption of proposed amendments to 10 Texas Administrative Code Chapter 80 for publication as proposed in the Texas Register for public comment. | Joe Garcia |

REPORT ITEMS

- | | | |
|----|---|--------------------------------|
| 1. | Presentation of the internal audit of the Manufactured Housing Division. | Nicole Kludt and Betsy Schwing |
| 2. | Executive Director's Report to include issues relating operations, budget and performance of the Manufactured Housing Division. | Joe Garcia |

PUBLIC COMMENT Chair

EXECUTIVE SESSION Chair

Note: The Board may go into executive session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551.

- (a) If necessary, the Board will go into executive session to discuss Personnel Matters relating to the executive director's performance evaluation and compensation review pursuant to Sec. 551.074, Texas Government Code.
- (b) If necessary, the Board will go into executive session for Consultation with Attorney pursuant to Sec. 551.071, Texas Government Code.

RECONVENE Chair

Reconvene in public session and take action on any matters coming out of Executive Session.

ADJOURN Chair

To access this agenda or request information, please visit our website at www.tdhca.state.tx.us or contact Sharon Choate, TDHCA/MHD, 1106 Clayton Lane, Suite 270W, Austin, Texas 78723, 512-475-2206, sharon.choate@tdhca.state.tx.us.

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

Agenda Action Item No. 1

**MINUTES OF THE REGULAR MEETING OF THE
MANUFACTURED HOUSING BOARD**

On Friday, November 15, 2013, at 10:30 a.m., there was a regular meeting of the Manufactured Housing Board (the "Board") at 1500 N. Congress, Capitol Extension Committee Room E2.028 Austin, Texas. Donnie Wisenbaker presided. Anthony Burks and Sheila Vallés-Pankratz constituting a quorum, attended. Michael Bray was absent. The following Manufactured Housing Division (the "MHD") staff were present: Joe Garcia, Amy Morehouse Jim Hicks and Sharon Choate. Gina Esteves from the Texas Department of Housing and Community Affairs (other than the MHD) and Veena Mohan from the Office of Attorney General were present.

Donnie Wisenbaker called the roll and confirmed the presence of a quorum.

Donnie Wisenbaker asked for a motion to approve the minutes from of the board meeting on April 5, 2013. Upon motion of Anthony Burks, duly seconded by Sheila Vallés-Pankratz, the motion was unanimously approved.

Amy Morehouse presented for discussion and action the State Office of Administrative Hearings Proposal for Decision and the Division's final order in the Matter of the Complaint of TDHCA/MHD vs. Amado and Analley Mondragon, Docket Number: 332-13-2365.MHD. Upon motion of Sheila Vallés-Pankratz, duly seconded by Anthony Burks, the motion was unanimously approved.

Jim Hicks presented and discussed for approval the renewal of Texas Manufactured Housing Association as a continuing education provider. Upon motion of Sheila Vallés-Pankratz, duly seconded by Anthony Burks, the renewal was unanimously approved.

Joe Garcia presented the FY 2014 Operating Budget to the board and recommended approval. Upon motion of Anthony Burks, duly seconded by Sheila Vallés-Pankratz, the FY 2014 Operating Budget was unanimously approved.

Joe Garcia presented the FY 2014 Administrative Services Agreement between the Manufactured Housing Division and TDHCA and recommended approval. Upon motion of Sheila Vallés-Pankratz, duly seconded by Anthony Burks, the agreement was unanimously approved.

Joe Garcia presented and discussed for approval proposed amendments to 10 Texas Administrative Code Chapter 80 for publication as proposed in the Texas Register for public comment. Upon motion of Sheila Vallés-Pankratz, duly seconded by Anthony Burks, the rules were unanimously approved.

Joe Garcia presented and discussed for approval the proposed new Application for Retailer License Exemption form. Upon motion of Anthony Burks, duly seconded by Sheila Vallés-Pankratz, the motion was unanimously approved.

Joe Garcia delivered the Executive Director's Report.

At 11:18 a.m., the board went into an Executive Session to discuss personnel matters relating to the executive director's performance evaluation and compensation review pursuant to Sec. 551.074, Texas Government Code.

The board reconvened in open session at 11:50 a.m.

Upon motion of Sheila Vallés-Pankratz to approve an increase in salary and promotion to Director IV (B29), due to the board rating the executive director's performance as outstanding, it was duly seconded by Anthony Burks and the motion was unanimously approved.

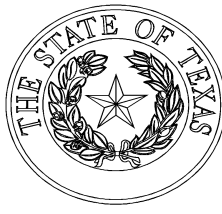
The next board meeting was tentatively set for Friday, January 17, 2014.

There being no further business to come before the board, the meeting was adjourned at 11:54 a.m.

Sharon Choate, Secretary

Approved:

Donnie Wisenbaker, Acting Presiding Chair



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
MANUFACTURED HOUSING DIVISION

Rick Perry
GOVERNOR

Joe A. Garcia
EXECUTIVE DIRECTOR

Agenda Action Item No. 2

Board Members
Presiding Officer, Michael H. Bray
Anthony G. Burks
Sheila M. Vallés-Pankratz
Donnie W. Wisenbaker

TO: Governing Board of the Manufactured Housing Division of the Texas Department of Housing and Community Affairs

FROM: Jim R. Hicks, Consumer Protection Manager

THROUGH: Joe A. Garcia, Executive Director

SUBJECT: Texas Manufactured Housing School (TXMHS), A Division of Fact Homes, Inc. Request for Approval to Continue as a Continuing Education Provider

DATE: January 2, 2014

Texas Manufactured Housing School, A Division of Fact Homes, Inc. ("TXMHS") is currently approved as a Continuing Education Provider offering both classroom and online classes until December 31, 2013. TXMHS has been an approved provider since November 10, 2003. TXMHS satisfies the statutory requirements regarding providing continuing education as set forth in Section 1201.113 of the Texas Occupations Code. Changes to the course include updated laws and rules.

Management has reviewed the renewal submission, materials, and online course of TXMHS and recommends that its request be approved.

Texas Department of Housing and Community Affairs
Historical Budget Analysis
Manufactured Housing Division
For FY 2015 and 2014

Agenda Action Item No. 3

D R A F T

Categories	FY 15 Budget (a)	FY 14 Budget (b)	Variance (a-b)	Percentage Change
Salaries and Wages	3,707,559	3,491,533	\$ 216,026	6%
Payroll Related Costs	778,307	733,221	45,086	6%
Travel In-State	300,000	300,000	0	0%
Travel Out-of State	0	0	0	0%
Home Owner Consumer Claims (Rider # 12)	300,000	300,000	0	0%
Professional Fees	37,000	37,000	0	0%
Materials and Supplies	100,000	100,000	0	0%
Repairs/Maintenance	130,484	130,484	0	0%
Printing and Reproduction	30,000	30,000	0	0%
Rental/Lease	132,000	132,000	0	0%
Membership Dues	1,000	1,000	0	0%
Staff Development	26,664	28,000	-1,336	-5%
Texas Online	19,120	19,120	0	0%
Employee Tuition	1,000	1,000	0	0%
Advertising	1,000	1,000	0	0%
Freight/Mail Delivery	10,000	10,000	0	0%
Temporary Help	65,000	65,000	0	0%
Furniture/Equipment	66,443	99,410	-32,967	-33%
Communications/Utilities	75,000	75,000	0	0%
Capital Outlay - Computers/Server	78,600	78,600	0	0%
State Office of Risk Management	10,000	10,000	0	0%
Subtotal	5,869,177	5,642,368	226,809	4%
Indirect Support	512,127	512,127	-	0%
Total Manufactured Housing *	\$ 6,381,304	\$ 6,154,495	\$ 226,809	4%

FTE's 64 64 - 0%

Method of Finance:

General Revenue	19,120	19,120	-	0%
Appropriated Receipts	6,062,184	5,835,375	226,809	4%
Federal Funds	300,000	300,000	-	0%
Total Method of Finance	\$ 6,381,304	\$ 6,154,495	\$ 226,809	4%

*** NOTE: Breakdown of the Total Budget:**

1. \$ 5,090,870 - Total Direct Strategies Appropriations to MHD
 2. \$ 778,307 - Payroll related costs - an indirect appropriation, which is a state-wide allocation by the Comptroller; it's included here for assessment or information purpose.
 3. \$ 512,127 - Administrative Support costs - an indirect appropriation, which is the service contract fees with the TDHCA; it's included here for assessment or information purpose.
- \$6,381,304**

**Texas Department of Housing and Community Affairs
 Manufactured Housing Division
 Operating Budget Allocation to Direct Strategies
 For FY 2015**

Description	Expenditures	E.1.1. SOL & Licensing	E.1.2. Inspections	E.1.3. Enforcement	E.1.4. Texas Online	Total Budget
Salaries and Wages	\$ 3,707,559	1,370,744	1,271,317	1,065,498		\$ 3,707,559
Payroll Related Costs	778,307	272,407	264,624	241,275	-	778,307
Travel In-State	300,000	11,000	284,000	5,000	-	300,000
Travel Out-of State	0	0	0	0	-	0
Home Owner Consumer Claims (Ric	300,000	0	0	300,000	-	300,000
Professional Fees	37,000	12,950	12,580	11,470	-	37,000
Materials and Supplies	100,000	35,000	34,000	31,000	-	100,000
Repairs/Maintenance	130,484	45,669	44,365	40,450	-	130,484
Printing and Reproduction	30,000	18,400	2,000	9,600	-	30,000
Rental/Lease	132,000	108,689	6,000	17,311	-	132,000
Membership Dues	1,000	370	340	290	-	1,000
Registration Fees	26,664	9,319	9,066	8,279	-	26,664
Texas Online	19,120	0	0	0	19,120	19,120
Employee Tuition	1,000	360	330	310	-	1,000
Advertising	1,000	700	150	150	-	1,000
Freight/Delivery	10,000	3,500	3,400	3,100	-	10,000
Temporary Help	65,000	38,111	13,444	13,445	-	65,000
Furniture/Equipment	66,443	23,255	22,591	20,597	-	66,443
Communications/Utilities	75,000	26,250	25,500	23,250	-	75,000
Capital Outlay - Computers/Server	78,600	27,510	26,724	24,366	-	78,600
State Office of Risk Management	10,000	3,700	3,400	2,900	-	10,000
	\$ 5,869,177	\$ 2,007,934	\$ 2,023,831	\$ 1,818,291	\$ 19,120	\$ 5,869,177

FTE's 64 29 19.6 15.4 64

Method of Finance:

	General Revenue	Appropriated Receipts	Federal Funds	Total
Strategy One	2,007,934	0	2,007,934	2,007,934
Strategy Two	2,023,831	0	1,823,831	2,023,831
Strategy Three	1,818,291	0	1,718,291	1,818,291
Strategy Four	19,120	19,120	0	19,120
	\$ 5,869,177	\$ 19,120	\$ 5,550,057	\$ 300,000

Indirect Support:

	F.1.1.	F.1.2.	F.1.3.	Total
Financial Administration	179,075	179,075		179,075
Information Resource Technologies	174,506	174,506		174,506
Operating Support	158,546		158,546	158,546
	\$ 512,127	\$ 179,075	\$ 174,506	\$ 158,546

Method of Finance:

Appropriated Receipts	\$ 512,127	\$ 179,075	\$ 174,506	\$ 158,546	\$ 512,127
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Exhibit A

**Manufactured Housing
Administrative Support Schedule
Fiscal Year 2015**

	FTE's	Salaries	Payroll Related Costs	Total
Support:				
Executive Office	0.10	\$ 11,653	\$ 2,680	\$ 14,334
Internal Audit	0.40	26,740	6,150	32,890
Policy and Public Affairs	0.22	18,436	4,240	22,676
Human Resources	0.40	24,410	5,614	30,025
Purchasing and Facilities Management	0.90	47,659	10,962	58,621
Information Systems	2.08	141,875	32,631	174,506
Financial Administration:				
Director, Financial Administration	0.10	10,175	2,340	12,515
Payroll	0.20	12,982	2,986	15,968
Accounting Manager	0.15	14,245	3,276	17,521
Travel	0.50	26,702	6,141	32,843
Payables	0.45	26,329	6,056	32,384
Program Accountant	1.00	55,158	12,686	67,844
Total Support, Manufactured Housing	6.50	\$ 416,364	\$ 95,762	\$ 512,127

**Manufactured Housing Division
Revenue Summary and Projections
For FY 2015-14**

FEE TYPE	FY 2015 Projected (c)	FY 2014 Act/Est. (d)	Variance (c-d)	Percentage Change
Training	105,000	95,000	10,000	11%
SOL - Titles	3,300,000	3,170,000	130,000	4%
Licenses	695,000	799,000	(104,000)	-13%
Inspections	1,300,000	1,300,000	-	0%
Admin. Penalties	7,053	7,053	-	0%
Public Information	931	931	-	0%
Reimbursement - HORTF	50,000	37,000	13,000	35%
Returned Check Charge	-	-	-	0%
	5,457,984	5,408,984	49,000	1%
Federal Fund	497,000	497,000	-	0%
Total	\$ 5,954,984	\$ 5,905,984	\$ 49,000	1%

** Note: The assumptions for FY 2015 revenues use the actual/estimates for FY 2014 and modified historical trends.*

Texas Department of Housing and Community Affairs
Manufactured Housing Division
Budget and Expense Status
September 1, 2013 - August 31, 2014
For FY 2014

Budget Categories	Annual Budget (a)	*1 YTD Act/Est. Expenses Sep - Aug (b)	YTD Variance Sep - Aug (a-b)	Remaining Budget As of August	Remaining Budget Not Used %
		Salaries and Wages	3,491,533	3,221,380	270,153
Payroll Related Costs	733,221	661,667	71,554	71,554	10%
Travel In-State	300,000	290,739	9,261	9,261	3%
Travel Out-of State	0	0	0	0	0%
Home Owner Consumer Claims (Rider # 13)	300,000	103,967	196,033	196,033	65%
Professional Fees	37,000	35,308	1,692	1,692	5%
Materials and Supplies	100,000	71,472	28,528	28,528	29%
Repairs/Maintenance	130,484	103,640	26,844	26,844	21%
Printing and Reproduction	30,000	8,173	21,827	21,827	73%
Rental/Lease	132,000	125,740	6,260	6,260	5%
Membership Dues	1,000	533	467	467	47%
Saff Development	28,000	1,427	26,573	26,573	95%
Texas Online	19,120	17,679	1,441	1,441	8%
Employee Tuition	1,000	0	1,000	1,000	100%
Advertising	1,000	0	1,000	1,000	100%
Freight/Mail Delivery	10,000	8,760	1,240	1,240	12%
Temporary Help	65,000	533	64,467	64,467	99%
Furniture/Equipment	99,410	13,891	85,519	85,519	86%
Communications/Utilities	75,000	55,333	19,667	19,667	26%
Capital Outlay	78,600	56,000	22,600	22,600	29%
State Office of Risk Management	10,000	9,040	960	960	10%
Subtotal	5,642,368	4,785,282	857,086	857,086	15%
Indirect Support	512,127	468,467	43,660	43,660	9%
Total Manufactured Housing	\$ 6,154,495	\$ 5,253,748	\$ 900,747	\$ 900,747	15%

* 1 YTD expenses column represents actual expenditures from September to May, and projected expenditures from June to August.

Agenda Action Item No. 4

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
AND
MANUFACTURED HOUSING DIVISION'S
ADMINISTRATIVE SERVICES AND COST REIMBURSEMENT AGREEMENT

This Administrative Services and Cost Reimbursement Agreement ("Agreement") is made effective as of September 1, 2014 by and between the **Texas Department of Housing and Community Affairs**, a public and official department of the State of Texas ("TDHCA"), and the **Manufactured Housing Division** of TDHCA.

RECITALS:

WHEREAS, Subchapter AA, Sections 2306.6001 through 2306.6023 of the Texas Government Code, requires:

- (1) that beginning on September 1, 2001, TDHCA began to administer and enforce the Texas Manufactured Housing Standards Act (Chapter 1201 of the Texas Occupations Code) through the Manufactured Housing Division ("MH Division");
- (2) that the MH Division be governed by a five member board that is to be an independent entity within TDHCA, administratively attached to TDHCA, and not an advisory board to TDHCA ("MH Board");
- (3) that the MH Board and the division director of the MH Division are to exercise authority and responsibilities assigned to them under the Texas Manufactured Housing Standards Act (Chapter 1201 of the Texas Occupations Code); and
- (4) that the MH Board shall develop a budget for the operations of the department relating to the MH Division and shall reduce administrative costs by entering into an agreement with TDHCA to enable the sharing of department personnel, equipment, and facilities.

NOW THEREFORE, TDHCA has agreed to provide for indirect and direct administrative services as hereinafter provided for a monthly administrative fee described herein to be paid by the MH Division to TDHCA. The parties, TDHCA and the MH Division, agree as follows:

1. ADMINISTRATIVE SERVICES AND REIMBURSEMENT OF OPERATING COSTS

1.1 Scope of Services

During the term of this Agreement, TDHCA shall continue to provide for the budgeted costs and expenses set out on the annual operating budget for the MH Division attached as Exhibit "A" in the manner contemplated by the annual operating budget for TDHCA and to account for all such actual payments and receipts. These services, will include, but not be limited to, administrative support services from TDHCA's Executive Office; Internal Audit; Policy and Public Affairs; Human Resources; Purchasing and Facilities Management; Information Systems; and Financial Administration (collectively the "Services").

2. TERM

2.1 Term

This Agreement shall be effective September 1, **2014** and shall continue in full force and effect until August 31, **2015**, unless sooner terminated pursuant to Section 4.1 of this Agreement.

3. ADMINISTRATIVE SERVICES FEES AND COST REIMBURSEMENTS

3.1 Reimbursement to TDHCA for Operating Costs

TDHCA shall be reimbursed by the MH Division for all operating costs incurred by TDHCA on their behalf out of budgeted receipts attributable to the MH Division as set out on Exhibit "A".

3.2 Payments to TDHCA for Services

As compensation for the Services performed by TDHCA personnel pursuant to this Agreement, TDHCA shall be paid \$42,677.25 monthly by the MH Division (or a total annual amount not to exceed \$512,127.00) for each month during the term of this Agreement.

4. TERMINATION OF AGREEMENT

4.1 Early Termination

Either party and, the duly constituted MH Board contemplated by Chapter 2306 once appointed, may terminate this Agreement prior to the August 31, **2015** term provided in Section 2.1 upon 30 days' written notice to the other party. Administrative fees due for Services provided up to and including the date of such early termination shall be prorated and shall be payable in full to TDHCA upon such early termination. If this Agreement is terminated by the MH Board, TDHCA agrees to take all actions necessary to deliver to the MH Board possession or control of all books, records, and property of the MH Division in TDHCA's possession in an orderly manner and without interruption of the MH Division's business.

5. FORCE MAJEURE

5.1 Force Majeure

In the event that performance by a party of any of its obligations under the terms of this Agreement shall be interrupted or delayed by an act of God, by acts of war, riot, or civil commotion, by an act of State, by strikes, fire, or flood, or by the occurrence of any other event beyond the control of such party, such party shall be excused from such performance during the period of time when the interruption occurred and for such period of time as is reasonably necessary after such occurrence abates for the effects thereof to have dissipated.

6. MISCELLANEOUS

6.1 Notices

All notices, requests, demands and other communications under this Agreement shall be deemed to be duly given if delivered or sent in accordance with this Section 6.1 and all of its subsections; and if addressed as follows:

If to TDHCA to:

Texas Department of Housing and Community Affairs
221 E. 11th Street, Third Floor
Austin, Texas 78701
ATTENTION: Timothy K. Irvine, TDHCA Executive Director
Tim.Irvine@tdhca.state.tx.us
FAX: (512) 469-9606

If to the Manufactured Housing Division to:

Manufactured Housing Division
1106 Clayton LN. Twin Towers, Suite 270W
Austin, Texas 78723
ATTENTION: Joe Garcia, MH Division, Executive Director
Joe.Garcia@tdhca.state.tx.us
FAX: (512) 475-0495

or to such other address or to the attention of such other person as the recipient party has specified in accordance with this Section 6.1 by prior written notice to the sending party. Every notice required or contemplated by this Agreement to be given, delivered or sent by any party may be delivered in person or may be sent by courier, facsimile, e-mail, first class mail, or certified mail (or its equivalent under the laws of the country where mailed), addressed to the party for whom it is intended, at the address specified in this Agreement. Any party may change its address for notice by giving notice to the other parties of the change. Any written notice will be effective no later than the date actually received. Unless otherwise provided in this Agreement, notice by courier, express mail, certified mail, or registered mail will be effective on the date it is officially recorded as delivered by return receipt or equivalent and in the absence of such record of delivery it will be presumed to have been delivered on the fifth business day after it was deposited, first-class postage prepaid, in the United States first class mail. Notice not given in writing will be effective only if acknowledged in writing by a duly authorized officer of the party to whom it was given.

6.2 Entire Agreement

This Agreement contains the entire agreement of the parties with respect to the matters covered by its terms. Any written or oral representations, promises, agreements or understandings concerning the subject matter of this Agreement that is not contained in this Agreement shall be of no force or effect. No change, modification or waiver of any of the terms of this Agreement shall be binding unless reduced to writing and signed by authorized representatives of both parties.

6.3 Assignment

This Agreement shall be binding upon and inure to the benefit of the parties hereto, and the legal representatives, successors in interest and assigns, respectively, of each such party. Notwithstanding the preceding sentence, this Agreement shall not be assigned in whole or in part by either party without the prior written consent of the other party.

6.4 Governing Law

This Agreement shall be construed under and governed in all respects, including without limitation, issues of validity, interpretation, performance and enforcement, by the laws, and not the conflicts of law, of the State of Texas.

6.5 No Waiver

The failure of any party hereto at any time to require performance of any provision of this Agreement shall in no way affect the right of such party to require performance of that provision. Any waiver by any party of any breach of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself or a waiver of any right under this Agreement.

6.6 Partial Invalidity

If any one or more of the provisions of this Agreement should be ruled wholly or partly invalid or unenforceable by a court or other government body of competent jurisdiction, then:

- (A) the validity and enforceability of all provisions of this Agreement not ruled to be invalid or unenforceable will be unaffected;
- (B) the effect of the ruling will be limited to the jurisdiction of the court or other government body making the ruling;
- (C) the provision(s) held wholly or partly invalid or unenforceable will be deemed amended, and the court or other government body is authorized to reform the provision(s), to the minimum extent necessary to render them valid and enforceable in conformity with the parties' intent as manifested herein; and
- (D) if the ruling, and/or the controlling principle of law or equity leading to the ruling, is subsequently overruled, modified, or amended by legislative, judicial, or administrative action, then the provision(s) in question as originally set forth in this Agreement will be deemed valid and enforceable to the maximum extent permitted by the new controlling principle of law or equity.

6.7 Time

Time is of the essence under this Agreement. If the last day permitted for the performance of any act required or permitted under this Agreement falls on a Saturday, Sunday, or legal holiday in the State of Texas, the time for such performance shall be extended to the next succeeding business day that is not a legal holiday.

6.8 Jurisdiction and Venue

Suit to enforce this Agreement or any provision thereof will be brought exclusively in the state or federal courts located in Austin, Travis County, Texas.

6.9 Section Headings

The article and section headings contained in this Agreement are for reference purposes only and shall not in any way control the meaning or interpretation of this Agreement. Each person signing below represents that he or she has read this Agreement in its entirety (including any and all Schedules and Exhibits); understands its terms; is duly authorized to execute this Agreement on behalf of the party indicated below by his name; and agrees on behalf of such party that such party will be bound by those terms.

IN WITNESS WHEREOF, the parties have signed this Agreement to be effective as of September 1, 2014.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

By: _____
Timothy K. Irvine
Executive Director

MANUFACTURED HOUSING DIVISION

By: _____
Joe A. Garcia
Executive Director

MEMBERS OF THE TEXAS MANUFACTURED HOUSING BOARD:

Michael Bray, Chairman

Sheila M. Valles-Pankratz, Member

Myeshi Briley, MS, HS-BCP, Member

Donnie W. Wisenbaker, Member

Brenda J. Swinney, Member

ADMINISTRATIVE SERVICES AGREEMENT AND COST REIMBURSEMENT AGREEMENT

Exhibit A

**Manufactured Housing
Administrative Support Schedule
Fiscal Year 2015**

	FTEs	Salaries	Payroll Related Costs	Total
Support:				
Executive Office	0.10	\$ 11,653	\$ 2,680	\$ 14,334
Internal Audit	0.40	26,740	6,150	32,890
Policy and Public Affairs	0.22	18,436	4,240	22,676
Human Resources	0.40	24,410	5,614	30,025
Purchasing and Facilities Management	0.90	47,659	10,962	58,621
Information Systems	2.08	141,875	32,631	174,506
Financial Administration:				
Director, Financial Administration	0.10	10,175	2,340	12,515
Payroll	0.20	12,982	2,986	15,968
Accounting Manager	0.15	14,245	3,276	17,521
Travel Accountant	0.50	26,702	6,141	32,843
Payables	0.45	26,329	6,056	32,384
Program Accountant	1.00	55,158	12,686	67,844
Total Support, Manufactured Housing	6.50	\$ 416,364	\$ 95,762	\$ 512,127

**Texas Department of Housing and Community Affairs
 Manufactured Housing Division
 Legislative Appropriations Request
 For FY 2016 & 2017**

D R A F T

Agenda Action Item No. 5

Budget Categories	FY 16 Budget (a)	FY 17 Budget (b)	Variance (b-a)	Percentage Change
Salaries and Wages	\$ 3,959,695	\$ 4,135,135	\$ 175,440	4.4%
Travel In-State	300,000	300,000	0	0.0%
Travel Out-of State	0	0	0	0.0%
Home Owner Consumer Claims (Rider # 13)	300,000	300,000	0	0.0%
Professional Fees	42,000	42,000	0	0.0%
Materials and Supplies	120,000	120,000	0	0.0%
Repairs/Maintenance - Server	135,000	135,000	0	0.0%
Printing and Reproduction	30,000	30,000	0	0.0%
Rental/Lease (Building and Copy Machines)	154,862	154,862	0	0.0%
Membership Dues	1,100	1,100	0	0.0%
Registration Fees	33,400	33,400	0	0.0%
Texas Online	19,120	19,120	0	0.0%
Employee Tuition	1,000	1,000	0	0.0%
Advertising	1,000	1,000	0	0.0%
Mail/Freight Delivery	15,000	15,000	0	0.0%
Temporary Help	50,000	50,000	0	0.0%
Furniture/Equipment	80,000	80,000	0	0.0%
Communications/Utilities	75,000	75,000	0	0.0%
Capital Outlay - Computers, Servers, etc.	17,000	46,000	29,000	170.6%
State Office of Risk Management	10,000	10,000	0	0.0%
Total	\$ 5,344,177	\$ 5,548,617	204,440	3.8%
FTE's	64	64	-	0%
Method of Finance:				
General Revenue	0	19,120	19,120	0.0%
Appropriated Receipts	5,044,177	5,229,497	185,320	3.7%
Federal Funds	300,000	300,000	-	0.0%
Total Method of Finance	\$ 5,344,177	\$ 5,548,617	\$ 204,440	3.8%

Texas Department of Housing and Community Affairs
Manufactured Housing Division
Appropriations Request Allocation to Direct Strategies
For FY 2016

Description	Expenditures	E.1.1. SOL & Licensing	E.1.2. Inspections	E.1.3. Enforcement	E.1.4. Texas Online	Total Budget
Salaries and Wages	\$ 3,959,695	\$ 1,385,893	\$ 1,346,296	1,227,505	\$ -	3,959,695
Travel In-State	300,000	10,000	280,000	10,000	-	300,000
Travel Out-of State	0	0	0	0	-	0
Home Owner Consumer Claims (Rider # 13)	300,000	0	0	300,000	-	300,000
Professional Fees	42,000	14,700	14,280	13,020	-	42,000
Materials and Supplies	120,000	60,000	40,000	20,000	-	120,000
Repairs/Maintenance	135,000	47,250	45,900	41,850	-	135,000
Printing and Reproduction	30,000	10,500	10,200	9,300	-	30,000
Rental/Lease	154,862	134,640	12,240	7,982	-	154,862
Membership Dues	1,100	385	374	341	-	1,100
Registration Fees	33,400	11,690	11,356	10,354	-	33,400
Texas Online	19,120	0	0	0	19,120	19,120
Employee Tuition	1,000	350	340	310	-	1,000
Advertising	1,000	350	340	310	-	1,000
Freight/Delivery	15,000	5,250	5,100	4,650	-	15,000
Temporary Help	50,000	26,000	11,300	12,700	-	50,000
Furniture/Equipment	80,000	40,000	27,200	12,800	-	80,000
Communications/Utilities	75,000	26,250	25,500	23,250	-	75,000
Capital Outlay	17,000	5,950	5,780	5,270	-	17,000
State Office of Risk Management	10,000	3,500	3,400	3,100	-	10,000
	\$ 5,344,177	\$ 1,782,708	\$ 1,839,606	\$ 1,702,742	\$ 19,120	\$ 5,344,177

FTE's 64 29.6 18.5 15.9 64

Method of Finance:

	General Revenue	Appropriated Receipts	Federal Funds	Total
Strategy One:	1,782,708	0	1,782,708	1,782,708
Strategy Two:	1,839,606	0	1,639,606	1,839,606
Strategy Three:	1,702,742	0	1,602,742	1,702,742
Strategy Four	19,120	19,120		19,120
	\$ 5,344,177	\$ 19,120	\$ 5,025,057	\$ 5,344,177

Texas Department of Housing and Community Affairs
Manufactured Housing Division
Appropriations Request Allocation to Direct Strategies
For FY 2017

Description	Expenditures	SOL & Licensing	Inspections	Enforcement	Texas Online	Budget
Salaries and Wages	\$ 4,135,135	\$ 1,447,297	\$ 1,405,946	\$ 1,281,892		\$ 4,135,135
Travel In-State	300,000	10,000	280,000	10,000	-	300,000
Travel Out-of State	0	0	0	0	-	0
Home Owner Consumer Claims (Rider # 13)	300,000	0	0	300,000	-	300,000
Professional Fees	42,000	15,120	14,280	12,600	-	42,000
Materials and Supplies	120,000	60,000	40,000	20,000	-	120,000
Repairs/Maintenance	135,000	48,600	45,900	40,500	-	135,000
Printing and Reproduction	30,000	10,800	10,200	9,000	-	30,000
Rental/Lease	154,862	134,640	12,240	7,982	-	154,862
Membership Dues	1,100	396	374	330	-	1,100
Registration Fees	33,400	11,690	11,356	10,354	-	33,400
Texas Online	19,120	0	0	0	19,120	19,120
Employee Tuition	1,000	360	340	300	-	1,000
Advertising	1,000	360	340	300	-	1,000
Freight/Delivery	15,000	5,400	5,100	4,500	-	15,000
Temporary Help	50,000	26,000	11,300	12,700	-	50,000
Furniture/Equipment	80,000	40,000	27,200	12,800	-	80,000
Communications/Utilities	75,000	26,250	25,500	23,250	-	75,000
Capital Outlay	46,000	16,100	15,640	14,260	-	46,000
State Office of Risk Management	10,000	3,600	3,400	3,000	-	10,000
	\$ 5,548,617	\$ 1,856,613	\$ 1,909,116	\$ 1,763,768	\$ 19,120	\$ 5,548,617

FTE's 64 29.6 18.5 15.9 64

Method of Finance:

	General Revenue	Appropriated Receipts	Federal Funds	Total
Strategy One:	1,856,613	0	1,856,613	1,856,613
Strategy Two:	1,909,116	0	200,000	1,909,116
Strategy Three:	1,763,768	0	100,000	1,763,768
Strategy Four:	19,120	19,120	-	19,120
	\$ 5,548,617	\$ 19,120	\$ 5,229,497	300,000
				5,548,617

Texas Department of Housing and Community Affairs
 Manufactured Housing Division
 Revenue Summary and Projections
 For FY 2016-17

FEE TYPE	FY 2016 Projected (c)	FY 2017 Projected (d)	Variance (c-d)	Percentage Change
Training	105,000	105,000	-	0.0%
SOL - Titles	3,300,000	3,300,000	-	0.0%
Licenses	799,000	700,000	(99,000)	-12.4%
Inspections	1,300,000	1,300,000	-	0.0%
Admin. Penalties	7,053	7,053	-	0.0%
Public Information	931	931	-	0.0%
Reimbursement - HORTF	75,000	95,000	20,000	26.7%
Returned Check Charge	-	-	-	0.0%
	5,586,984	5,507,984	(79,000)	-1.4%
Federal Fund	497,000	497,000	-	0%
Total	\$ 6,083,984	\$ 6,004,984	(79,000)	-1.3%

Agenda Action Item No. 6

Preamble for Proposed Manufactured Housing Rules *Administrative Rules of the Texas Department of Housing and Community Affairs* *10 Texas Administrative Code, Chapter 80*

The Manufactured Housing Division of the Texas Department of Housing and Community Affairs (the "Department") proposes to amend 10 Texas Administrative Code, Chapter 80, §§80.3, 80.32, 80.36, 80.40, 80.4, 80.90 and 80.93 relating to the regulation of the manufactured housing program. The rules are revised to comply with House Bill 944 and House Bill 3361 (83rd Legislature, 2013 regular session) that amends the Manufactured Housing Standards Act and for clarification purposes.

Section 80.3(a): The retailer's branch location license and rebuilders license fees are removed and a fee for reprinted licenses is added to comply with amendments to the Manufactured Housing Standards Act in HB 3361 (83rd Legislature, 2013 regular session).

Section 80.3(c): Made a correction to the name of the Application for Statement of Ownership and Location.

Section 80.3(h): Changed rebuilder references to retailer to comply with amendments to the Manufactured Housing Standards Act in HB 3361 (83rd Legislature, 2013 regular session).

Section 80.32(e): Reworded to remove rebuilder reference to comply with amendments to the Manufactured Housing Standards Act in HB 3361 (83rd Legislature, 2013 regular session).

Section 80.32(r) and (s): Removed branch location reference to comply with amendments to the Manufactured Housing Standards Act in HB 3361 (83rd Legislature, 2013 regular session).

Section 80.36: Changed rebuilder reference in title of section to retailer to comply with amendments to the Manufactured Housing Standards Act in HB 3361 (83rd Legislature, 2013 regular session).

Section 80.36(b): Changed rebuilder reference in title of subsection to retailer to comply with amendments to the Manufactured Housing Standards Act in HB 3361 (83rd Legislature, 2013 regular session).

Section 80.40(b): Removed rebuilder reference to comply with amendments to the Manufactured Housing Standards Act in HB 3361 (83rd Legislature, 2013 regular session).

Section 80.41(e)(4): Added fingerprints and criminal history check rule to comply with amendments to the Manufactured Housing Standards Act in HB 3361 (83rd Legislature, 2013 regular session).

Section 80.41(g): Added a rule for exemption of requiring a retailer's license for a one-time sale of up to three (3) manufactured homes in a 12-month period to comply with amendments to the Manufactured Housing Standards Act in HB 944 (83rd Legislature, 2013 regular session).

Section 80.90(c)(2)(A) and (B): Revised to allow the Department to correct an error on a Statement of Ownership and Location upon receipt of documentation deemed appropriate and approved by the Executive Director.

Section 80.93(b): Reworded to clarify the Tax Lien File Layout is located on the Department's website.

Figure 10 TAC §80.93(b): The Tax Lien File Layout is not required by statute to be part of the rules. Removing the form from the rules will be more efficient when revisions to the form are necessary since revisions will no longer be delayed by going through the rule making process.

Section 80.93(d): Reworded from future tense to past tense in regards to tax liens prior to 2001 being disregarded that were recorded after June 18, 2005.

Joe A. Garcia, Executive Director of the Manufactured Housing Division of the Texas Department of Housing and Community Affairs, has determined that for the first five-year period that the proposed rules are in effect there will be no fiscal implications for state or local government as a result of enforcing or administering these sections. There will be no effect on small or micro-businesses because of the proposed amendments. There are no anticipated economic costs to persons who are required to comply with the proposed rules.

Mr. Garcia also has determined that for each year of the first five years that the proposed rules are in effect the public benefit as a result of enforcing the amendments will be to provide clarification of procedures and to comply with the Manufactured Housing Standards Act.

Mr. Garcia has also determined that for each year of the first five years the proposed rules are in effect there should be no adverse effect on a local economy, and therefore no local employment impact statement is required under Administrative Procedure Act (APA), Texas Government Code §2001.022.

If requested, the Department will conduct a public hearing on this rulemaking, pursuant to the Administrative Procedure Act, Texas Government Code §2001.029. The request for a public hearing must be received by the Department within 15 days after publication.

Comments may be submitted to Mr. Joe A. Garcia, Executive Director of the Manufactured Housing Division of the Texas Department of Housing and Community Affairs, P. O. Box 12489, Austin, Texas 78711-2489 or by e-mail at mhproposedrulecomments@tdhca.state.tx.us. The deadline for comments is no later than 30 days from the date that these proposed rules are published in the *Texas Register*.

The amended section is proposed under §1201.052 of the Texas Occupations Code, which provides the Director with authority to amend, add, and repeal rules governing the Manufactured Housing Division of the Department and §1201.053 of the Texas Occupations Code, which authorizes the board to adopt rules as necessary and the director to administer and enforce the manufactured housing program through the Manufactured Housing Division.

No other statutes, codes, or articles are affected by the proposed rule.

The agency hereby certifies that the proposed amendments have been reviewed by legal counsel and found to be within the agency's legal authority to adopt.

Proposed Manufactured Housing Rules

(To Comply with Changes in 83rd Legislature, 2013)

Administrative Rules of the Texas Department of Housing and Community Affairs
10 Texas Administrative Code, Chapter 80

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**SUBCHAPTER A. CODES, STANDARDS, TERMS, FEES AND
ADMINISTRATION**

§80.1. Texas Manufactured Housing Standards Code.

(No change.)

§80.2. Definitions.

(No change.)

§80.3. Fees.

(a) License Fees and Renewal Fees:

(1) \$850 for each manufacturer's plant license;

(2) \$550 for each retailer's sales license;

~~(3) \$550 for each retailer's branch location sales license;~~

~~(4) \$550 for each rebuilder's license;~~

~~(3)(5)~~ \$350 for each broker's license;

~~(4)(6)~~ \$350 for each installer's license; ~~and~~

~~(5)(7)~~ \$200 for each salesperson's license; ~~and-~~

~~(6) \$25.00 for each reprint of a license.~~

(b) Installation Fees:

(1) - (3) (No change.)

(c) Seal Fee: Except for an application by a tax appraiser or a tax assessor-collector, for which there is no fee, there is a fee of \$35 for the issuance of a Texas Seal for one manufactured home section. Any person who sells, exchanges, lease purchases, or offers for sale, exchange, or lease purchase one or more sections of used HUD-Code manufactured homes manufactured after June 15, 1976, that do not each have a HUD label affixed, or one or more sections of a used mobile home manufactured prior to June 15, 1976, that do not each have a Texas Seal affixed shall file an Application for Statement of Ownership and Location ~~application for statement and location~~ to the Department for a Texas Seal and issuance of an updated Statement of Ownership and Location. The application shall be accompanied by the seal fee of \$35 per section made payable to the Department.

(d) - (g) (No change.)

- (h) There is a fee of \$200 for the plan review and inspection of a salvaged manufactured home which is to be rebuilt. The purpose of the inspection is to determine if the home is habitable as defined by §1201.453 of the Standards Act so that it may be designated for residential use.
- (1) The fee and required notification shall be submitted in accordance with §80.36 of this chapter (relating to Retailer's Rebuilding Rebuilder's Responsibilities and Requirements).
 - (2) The ~~retailer~~~~rebuilder~~ shall also be charged for mileage and per diem incurred by Department personnel traveling to and from the location of the home.
 - (3) The Department shall invoice the ~~retailer~~~~rebuilder~~ for the charges incurred, and no Statement of Ownership and Location shall be issued until all charges and fees have been paid.
- (i) - (n) (No change.)

§80.4. Advisory Committee.

(No change.)

SUBCHAPTER B. INSTALLATION STANDARDS AND DEVICE APPROVALS

§80.20. Requirements for Manufacturer's Designs and Installation Instructions.

(No change.)

§80.21. Requirements for the Installation of Manufactured Homes.

(No change.)

§80.22. Generic Standards for Moisture and Ground Vapor Controls.

(No change.)

§80.23. Generic Standards for Footers and Piers.

(No change.)

§80.24. Generic Standards for Anchoring Systems.

(No change.)

§80.25. Generic Standards for Multi-Section Connections Standards.

(No change.)

§80.26. Registration of Stabilizing Components and Systems.

(No change.)

SUBCHAPTER C. LICENSEES' RESPONSIBILITIES AND REQUIREMENTS

§80.30. All Licensees' Responsibilities.

(No change.)

§80.31. Manufacturers' Responsibilities and Requirements.

(No change.)

§80.32. Retailers' Responsibilities and Requirements.

(a) - (d) (No change.)

(e) For each home altered or rebuilt from salvage a retailer shall retain the documentation required for rebuilding a ~~rebuilder~~ manufactured home that is declared salvaged.

(f) - (q) (No change.)

(r) At each licensed location, ~~including each branch location~~, a retailer shall display their current license for that location and the current license of each salesperson who works from that location.

(s) At each licensed location, ~~including each branch location~~, a retailer shall conspicuously display the Consumer Protection Information sign as set forth on the Department's website.

(t) - (v) (No change.)

§80.33. Installers' Responsibilities and Requirements.

(No change.)

§80.34. Brokers' Responsibilities and Requirements.

(No change.)

§80.35. Salesperson's Responsibilities and Requirements.

(No change.)

§80.36. Retailer's Rebuilding ~~Rebuilders~~ Responsibilities and Requirements.

(a) (No change.)

(b) The ~~retailer~~~~rebuilder~~ must:

(1) - (7) (No change.)

(c) - (d) (No change.)

§80.37. Correction Requirements.

(No change.)

§80.38. Right to Advance Copy of Certain Documents.

(No change.)

SUBCHAPTER D. LICENSING

§80.40. Security Requirements.

(a) (No change.)

(b) Any other security provided for compliance with §1201.105 of the Standards Act, shall remain in place and subject to a control agreement in favor of the Department for two (2) years after the person ceases doing business as a manufacturer, retailer, broker, ~~rebuilder~~, or installer, or until such later time as the director may determine that no claims exist against the other security. The Director may consent to the substitution of a bond or a different qualifying deposit for other security provided that in the event a bond is filed to replace the assigned security, the initial effective date of the bond is the same or prior to the date of the assignment of security.

(c) - (f) (No change.)

§80.41. License Requirements.

(a) - (d) (No change.)

(e) License Application and Renewal.

(1) - (3) (No change.)

(4) Fingerprints and Criminal History Check

(A) Prior to initial application on or after September 1, 2013 or the first renewal of a license expiring on or after September 1, 2013, license applicants must submit a complete and legible set of fingerprints to a vendor approved by the Department of Public Safety, for the purpose of a criminal background check, which will be provided to the Department.

(B) The license applicant shall be responsible for the cost.

(f) (No change.)

(g) Exemption for Retailer's License Requirement

(1) Application for Exemption of Retailer's License Requirement

(A) A person requesting exemption from the Retailer's licensing requirement of §1201.101(b) of the Occupations Code, shall submit the required application outlining the circumstances under which they are requesting exemption from licensure.

(B) Applications should identify the HUD label or serial number(s) of the homes being sold under exemption;

(C) Applications will be processed within seven (7) business days after receipt of all required information.

(2) The circumstances under which this exemption is granted are:

(A) One-time sale of up to three (3) manufactured homes in a 12-month period as personal property;

(B) Non-profit entity transferring ownership of up to three (3) manufactured homes in a 12-month period;

(C) No other manufactured homes have been purchased and resold in the previous twelve (12) months, even with a previous exemption; and/or

(D) Other circumstances deemed appropriate by the Executive Director.

(3) Letter of Exemption

(A) Once granted, a Letter of Exemption from licensure will be issued by the Executive Director to the applicant.

(B) Letter of Exemption is valid only for the manufactured home(s) specified.

(C) Letter of Exemption is valid only for twelve (12) months.

SUBCHAPTER E. ENFORCEMENT

§80.70. Enforcement.

(No change.)

§80.71. Rules for Hearings.

(No change.)

§80.72. *Sanctions and Penalties.*

(No change.)

§80.73. *Procedures for Handling Consumer Complaints.*

(No change.)

SUBCHAPTER F. MANUFACTURES HOMEOWNERS' RECOVERY TRUST FUND

§80.80. *Administration of Claims under the Manufactured Homeowners' Recovery Trust Fund.*

(No change.)

SUBCHAPTER G. STATEMENTS OF OWNERSHIP AND LOCATION

§80.90. *Issuance of Statements of Ownership and Location.*

(a) – (b) (No change.)

(c) Corrections to Statements of Ownership and Location.

(1) If a correction is required as a result of a Department error, it will be corrected at no charge.

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

(A) A complete corrected application for Statement of Ownership and Location, ~~or and~~

(B) Documentation deemed appropriate and approved by the Executive Director, pursuant to §1201.207(c) of the Standards Act. ~~Any necessary supporting documentation.~~

(d) – (i) (No change.)

§80.91. *Issuance of a Texas Seal.*

(No change.)

§80.92. *Inventory Finance Liens.*

(No change.)

§80.93. *Recording Tax Liens on Manufactured Homes.*

(a) (No change.)

- (b) Electronically filed tax liens and tax lien releases shall be filed with the Department using the required format as provided in the ~~following~~ Tax Lien File Layout set forth on the Department's website. No other format will be accepted for electronic filing of tax liens.

Texas Department of Housing and Community Affairs
Tax Lien File Layout

MUST be ASCII Fixed Record Layout (Text Format)
516 bytes total per each record
All text fields, addresses, names, etc should be left justified.

ITEM		PICTURE	OFFSET	Additional Information for Accurate Filing
Home Identification				
Label-No		Alpha 10	1-10	The label number must be exactly 10 characters – anything more or less will be invalid. Also, additional text (<i>i.e.</i> , “Lab#” before the label or “A” or “A/B” after the number) will invalidate the field. If there is no label number, LEAVE SPACES BLANK – DO NOT enter ZEROS, UNKNOWN, NONE or anything else in this field.
Serial-No		Alpha 26	11-36	Serial numbers must only include the number of the first section – and not be prefixed with anything else (<i>i.e.</i> , SER#, #, S#, or using both section letters as A/B). The chances of recording a lien with only a serial number are very slim. Having a label number is the best chance for a successful recording. If there is no serial number, LEAVE SPACES BLANK – DO NOT enter ZEROS, UNKNOWN, NONE or anything else in this field.
FILLER (blank spaces)		Alpha 20	37-56	Model name is no longer required, so leave the 20-spaces originally allocated for this blank.
Taxpayer Identification				
Taxpayer-Name	Left Justified	Alpha 40	57-96	
Taxpayer-Name2	Left Justified	Alpha 40	97-136	
Taxpayer-Addr1	Left Justified	Alpha 30	137-166	
Taxpayer-Addr2	Left Justified	Alpha 30	167-196	
Taxpayer-City	Left Justified	Alpha 20	197-216	
Taxpayer-State	Left Justified	Alpha 2	217-218	
Taxpayer-Zipcode		Alpha 10	219-228	

ITEM		PICTURE	OFFSET	Additional Information for Accurate Filing
Collector Identification				
Collector-Tax-Entity-ID or Central Tax Collector Number		Alpha 10	229-238	The taxing entity id or the Dept. assigned Central Tax Collector number MUST be 10 characters and in the following format XXX-XXX-XX.
Collector-Name	Left Justified	Alpha 40	239-278	Enter the name of the taxing jurisdiction.
Collector-Name2	Left Justified	Alpha 40	279-318	Enter the name of the collector.
Collector-Addr1	Left Justified	Alpha 30	319-348	
Collector-Addr2	Left Justified	Alpha 30	349-378	
Collector-City	Left Justified	Alpha 20	379-398	
Collector-State	Left Justified	Alpha 2	399-400	
Collector-Zipcode		Alpha 10	401-410	
Lien Information				
Tax-Roll-Account-No		Alpha 26	411-436	
FILLER (blank spaces)		Alpha 8	437-444	Lien date is the date the lien is received by TDHCA and will be inserted when recorded; so leave the 8-spaces originally allocated for this blank.
Tax-Year -- YYYY		Alpha 4	445-448	
Tax Amount		Alpha 8	449-456	The tax amount is required and must be entered without a decimal point (Example: If tax amount is \$300.25, please entered as 00030025).
Release-Date -- YYYYMMDD		Alpha 8	457-464	The date MUST be formatted as YYYYMMDD and have no slashes or spaces.
FILLER (blank spaces)		Alpha 49	465-513	
County Code		Alpha 3	514-516	A carriage return after entering the 3-digit County Code is needed after each record for proper formatting.

- (c) (No change.)
- (d) For tax liens recorded after June 18, 2005, but prior to the rules that were effective on January 29, 2006, those tax liens relating to tax years prior to 2001 ~~were~~ will be disregarded and will not be treated as having been recorded.
- (e) (No change.)

§80.94. Report to County Tax Assessor-Collectors and County Appraisal Districts.

(No change.)



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Report Item No. 1

April 8, 2014

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

RE: AN INTERNAL AUDIT OF THE MANUFACTURED HOUSING DIVISION'S TITLING PROCESS (REPORT #14-1061)

To the Governing Board of the Texas Department of Housing and Community Affairs' Manufactured Housing Division:

Attached is the Internal Audit Division's report on the Manufactured Housing Division's (Division) titling process. We found that the Division effectively processes and issues Statements of Ownership and Location (SOLs) in accordance with State rules and division policies, and tracks corrections to the SOLs for use in identifying areas for improvement in the SOL issuance process. However, there are opportunities for enhancement in the process used to track the corrected SOLs that would provide more useful information for training purposes.

In addition, the Division should update their policies and procedures to reflect the current process for issuing the SOLs. Finally, we identified some information systems issues related to the Exodus system used to process SOLs that the Information Systems Division (ISD) is responsible for. Management of both the Division and ISD has indicated that they agree with the recommendations of this audit report and are working to implement them.

The objectives of this audit were to determine whether the Statements of Ownership and Location are processed in accordance with State and Division regulations, corrections to the Statements of Ownership and Location are tracked and used to identify areas for improvement and Exodus ensures that titling information is processed accurately. The audit scope was State fiscal year 2013 and the scope of the information systems work was for the Exodus system since its implementation on November 19, 2011. Fieldwork was conducted from February 2014 through March 2014. We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*.



An Internal Audit of the Manufactured Housing Division's Titling Process

April 8, 2014

Page 2

We appreciate the assistance and cooperation we received from the management and staff of the Manufactured Housing Division and the Information Systems Division during the course of this audit. If you have any questions about this audit report, please contact me at (512) 475-3813.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Donoho', written in a cursive style.

Sandra Q. Donoho, MPA, CIA, CISA, CFE, CICA
Director of Internal Audit

SQD/nak

cc: Joe Garcia, Executive Director
Curtis Howe, Director of Information Systems

Executive Summary

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

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

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

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

The Manufactured Housing Division

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

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

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

Other Key Points

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

An Internal Audit of the Manufactured Housing Division's Titling Process

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

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

Summary of Recommendations

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

An Internal Audit of the Manufactured Housing Division's Titling Process

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

Summary of Management Responses

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

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Detailed Results

Chapter 1

Statements of Ownership and Location are Processed as Required

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

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

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

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

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

Chapter 1-A

Originally Issued SOLs are Processed Promptly

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

An Internal Audit of the Manufactured Housing Division's Titling Process

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

Of the 36 judgmentally selected SOL applications we tested:

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

<u>Time Used to Process Non-Priority SOL Applications</u>															
Days to Process	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
# of SOLs Processed	1	3	0	5	9	5	3	0	4	3	0	0	0	0	1
Average Number of Days to Process Non-Priority SOLs	6.0 days														

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

Recommendation

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

Management's Response

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

Target Date for Implementation: May 1, 2014

Person Responsible: James Oliva, Manager of Processing and Customer Service

Corrected SOLs Require a Corrected Application

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

Of the 20 corrected SOLs tested, 18 (90.0%) were attributed to staff error. Two (10.0%) were due to customer error on the original SOL application. In addition, 19 (95.0%) of the 20 corrected SOLs tested had original applications that were regular priority and should have been reviewed by the Document Control group. Two (10.5%) of the 19 were not reviewed by the Document Control group prior to issuance of the original SOL, which could have prevented the need for issuing a corrected SOL.

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

Recommendation

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

Management's Response

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

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

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

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

Person Responsible: Joe Garcia, Executive Director

Enhance Tracking of Corrections to SOLs

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

Recommendation

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

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

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

Management's Response

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

Target Date for Implementation: May 1, 2014

Person Responsible: James Oliva, Manager of Processing and Customer Service

Chapter 2

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

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

Recommendation

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

Management's Response

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

Target Date for Implementation: July 31, 2014

*Person Responsible: James Oliva, Manager of Processing and Customer Service and
Connie Hendon, Processing Supervisor*

Chapter 3

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

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

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

The Exodus System

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

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

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

Chapter 3-A

Ensure Exodus Access is Audited Annually

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

An Internal Audit of the Manufactured Housing Division's Titling Process

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

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

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

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

Recommendation

ISD should:

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

Management's Response

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

Target Date for Implementation: April 30, 2014

Person Responsible: Curtis Howe, Director of Information Systems

Chapter 3-B

The Change Control Process is Effective

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

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

Update the Policies and Procedures for the IS Steering Committee

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

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

Recommendation

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

Management's Response

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

Target Implementation: April 30, 2014

Person Responsible: Curtis Howe, Director of Information Systems

Appendix A

Objectives

The objectives of the audit were to determine whether:

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

Scope

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

Methodology

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

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

Criteria

The following documents were used as criteria:

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

An Internal Audit of the Manufactured Housing Division's Titling Process

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

Type of Audit

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

Report Distribution

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

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

Project Information

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

The following staff performed this audit:

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

Appreciation to Staff

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