



Texas Department of Housing and Community Affairs

Manufactured Housing Division

FINANCE AND AUDIT COMMITTEE MEETING

July 20, 2007

Carlos Amaral, Committee Chair

Michael H. Bray, Member

Texas Department of Housing and Community Affairs

Manufactured Housing Division

FINANCE AND AUDIT COMMITTEE MEETING

July 20, 2007

ROLL CALL

	<u>Present</u>	<u>Absent</u>
Carlos Amaral, Committee Chair	_____	_____
Michael H. Bray, Member	_____	_____
Number Present	_____	
Number Absent		_____

_____, Committee Chair

**FINANCE AND AUDIT COMMITTEE MEETING
MANUFACTURED HOUSING DIVISION
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
1500 N. Congress, Capitol Extension Committee Room E2.036, Austin, Texas 78701
July 20, 2007 10:00 a.m.**

AGENDA

**CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM**

Chair
Chair

The Finance and Audit Committee of 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. | Presentation and discussion of the FY 2008 Operating Budget. | Kassu Asfaw |
| Item 2. | Presentation and discussion of the execution of amendment to the Administrative Services Agreement for FY 2008 between the Manufactured Housing Division and TDHCA. | Tim Irvine |
| Item 3. | Presentation and discussion of the report of the audit of the Texas Manufactured Homeowners' Recovery Trust Fund. | Jim Hicks |

PUBLIC COMMENT

Chair

ADJOURN

Chair

To access this agenda or request information, please visit our website at www.tdhca.state.tx.us or contact Sharon Choate, TDHCA, E. 11th Street, Austin, Texas 78701, 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.

Texas Department of Housing and Community Affairs
 Historical Budget Analysis
 Manufactured Housing Division
 For FY 2008 and 2007

Committee Action Item No. 1

D R A F T

Budget Categories	FY 08 Budget (a)	FY 07 Budget (b)	Variance (a-b)	Percentage Change
Salaries and Wages	\$ 3,121,363	\$ 2,868,656	\$ 252,707	8.1%
2 % & 3% Salaries Increase	62,428	82,654	-20,226	-32.4%
Payroll Related Costs	891,461	825,000	66,461	7.5%
Travel In-State	200,000	200,000	0	0.0%
Travel Out-of State	0	0	0	0.0%
Home Owner Consumer Claims (Rider # 18)	300,000	100,000	200,000	66.7%
Professional Fees	209,000	20,000	189,000	90.4%
Materials and Supplies	146,790	65,000	81,790	55.7%
Repairs/Maintenance	55,000	40,000	15,000	27.3%
Printing and Reproduction	56,000	60,000	-4,000	-7.1%
Rental/Lease	43,000	90,000	-47,000	-109.3%
Membership Dues	802	500	302	37.7%
Registration Fees	36,978	500	36,478	98.6%
Texas Online	19,120	19,120	0	0.0%
Professional Liability Insurance	10,000	13,000	-3,000	-30.0%
Employee Tuition	0	0	0	0.0%
Advertising	250	200	50	20.0%
Freight/Delivery	1,500	3,000	-1,500	-100.0%
Temporary Help	100,000	100,000	0	0.0%
Furniture/Equipment	16,500	0	16,500	100.0%
Communications/Utilities	107,000	130,500	-23,500	-22.0%
Capital Outlay	40,625	58,800	-18,175	-44.7%
State Office of Risk Management	10,000	10,000	0	0.0%
Subtotal	5,427,817	4,686,930	740,887	15.8%
Indirect Support	476,291	490,506	(14,215)	-2.9%
Total Manufactured Housing *	\$ 5,904,108	\$ 5,177,436	\$ 726,672	14.0%
FTE's	64	64	-	0%
Method of Finance:				
General Revenue	19,120	119,120	(100,000)	-83.9%
Appropriated Receipts	5,584,988	4,570,316	1,014,672	22.2%
Federal Funds	300,000	488,000	(188,000)	-38.5%
Total Method of Finance	\$ 5,904,108	\$ 5,177,436	\$ 726,672	14.0%

* NOTE: Breakdowns of the total budget:

- \$ 4,473,928 - Total Direct Strategies Appropriations to MHD
- \$ 62,428 - An additional direct appropriation request due to 2% salary increase, per 80th Legislature
- \$ 891,461 - Payroll related costs - an indirect appropriation, which is a state-wide allocation by the Comptroller; it's included here for assessment or information purposes
- \$ 476,291 - Administrative Support costs - an indirect appropriation, which is the service contract fees with the TDHCA; it's included here for assessment or information purposes

**Texas Department of Housing and Community Affairs
 Manufactured Housing Division
 Operating Budget Allocation to Direct Strategies
 For FY 2008**

Description	Expenditures	E.1.1. Titling & Licensing	E.1.2. Inspections	E.1.3. Enforcement	E.1.4. Texas Online	Total Budget
Salaries and Wages	\$ 3,121,363	\$ 1,091,284	\$ 1,083,802	\$ 946,277	\$ -	\$ 3,121,363
2 % Salaries Increase	62,428	21,826	21,676	18,926	-	62,428
Payroll Related Costs	891,461	311,671	309,534	270,257	-	891,461
Travel In-State	200,000	7,000	135,100	57,900	-	200,000
Travel Out-of State	0	0	0	0	-	0
Home Owner Consumer Claims (Rider # 18)	300,000	0	0	300,000	-	300,000
Professional Fees	209,000	125,400	43,890	39,710	-	209,000
Materials and Supplies	146,790	84,332	32,825	29,633	-	146,790
Repairs/Maintenance	55,000	20,900	19,250	14,850	-	55,000
Printing and Reproduction	56,000	39,000	2,000	15,000	-	56,000
Rental/Lease	43,000	10,000	23,100	9,900	-	43,000
Membership Dues	802	442	160	200	-	802
Registration Fees	36,978	18,378	10,080	8,520	-	36,978
Texas Online	19,120				19,120	19,120
Professional Liability Insurance	10,000	2,040	5,000	2,960	-	10,000
Employee Tuition	0	0	0	0	-	0
Advertising	250	100	100	50	-	250
Freight/Delivery	1,500	950	500	50	-	1,500
Temporary Help	100,000	97,500	0	2,500	-	100,000
Furniture/Equipment	16,500	12,000	2,800	1,700	-	16,500
Communications/Utilities	107,000	48,893	56,500	1,607	-	107,000
Capital Outlay	40,625	15,438	14,219	10,968	-	40,625
State Office of Risk Management	10,000	3,800	3,500	2,700	-	10,000
	\$ 5,427,817	\$ 1,910,954	\$ 1,764,036	\$ 1,733,707	\$ 19,120	\$ 5,427,817

FTE's 64 29.66 18.47 15.87 64

Method of Finance:

	General Revenue	Appropriated Receipts	Federal Funds	Total
Strategy One:	1,910,954	0	1,910,954	1,910,954
Strategy Two:	1,764,036	0	100,000	1,764,036
Strategy Three:	1,733,707	0	200,000	1,733,707
Strategy Four:	19,120	19,120	0	19,120
	\$ 5,427,817	\$ 19,120	\$ 300,000	\$ 5,427,817

Indirect Support:

	F.1.1.	F.1.2.	F.1.3.	Total
Financial Administration	190,161	190,161		190,161
Information Resource Technologies	138,436	138,436		138,436
Operating Support	147,694		147,694	147,694
	\$ 476,291	\$ 190,161	\$ 147,694	\$ 476,291

Method of Finance:

Appropriated Receipts	\$ 476,291	\$ 190,161	\$ 138,436	\$ 147,694	\$ 476,291
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**Manufactured Housing Division
Revenue Summary and Projections
For FY 2007-08**

FEE TYPE	FY 2008 Projected (c)	FY 2007 Act/Est. (d)	Variance (c-d)	Percentage Change
Training	38,593	38,593	-	0.0%
SOL - Titles	5,117,415	5,117,415	-	0.0%
Licenses	767,347	767,347	-	0.0%
Inspections	1,341,580	1,341,580	-	0.0%
Admin. Penalties	10,597	10,597	-	0.0%
Public Information	6,422	6,422	-	0.0%
Reimbursement - HORTF	696,721	696,721	-	0.0%
Returned Check Charge	-	-	-	0.0%
	7,978,675	7,978,675	-	0.0%
Federal Funds:				
Floors Shipped	461,532	461,532	-	0.0%
Floors Produced	130,176	130,176	-	0.0%
	591,708	591,708	-	0.0%
Total	\$ 8,570,383	\$ 8,570,383	\$ -	0.0%

** Note: The assumptions for FY 2008 revenues use the actual/estimates for FY 2007 and modified historical trends.*

**Texas Department of Housing and Community Affairs
 Manufactured Housing Division
 Budget and Expense Status
 From September to August
 For FY 2007**

Budget Categories	Annual Budget (a)	*1 YTD Act/Est. Expenses Sep - Aug (b)	YTD Variance Sep - Aug (a-b)	Remaining Budget As of August
Salaries and Wages	\$ 2,951,310	2,773,377	177,933	177,933
Payroll Related Costs	825,000	695,543	129,457	129,457
Travel In-State	200,000	193,777	6,223	6,223
Travel Out-of State	0	0	0	0
Home Owner Consumer Claims (Rider # 18) *2	100,000	934,455	(834,455)	(834,455)
Professional Fees	20,000	3,357	16,643	16,643
Materials and Supplies	65,000	30,521	34,479	34,479
Repairs/Maintenance	40,000	46,173	(6,173)	(6,173)
Printing and Reproduction	60,000	9,281	50,719	50,719
Rental/Lease	90,000	58,116	31,884	31,884
Membership Dues	500	538	(38)	(38)
Registration Fees	500	2,626	(2,126)	(2,126)
Texas Online	19,120	1,418	17,702	17,702
Professional Liability Insurance	13,000	6,183	6,817	6,817
Employee Tuition	0	0	0	0
Advertising	200	0	200	200
Freight/Delivery	3,000	1,249	1,751	1,751
Temporary Help	100,000	42,993	57,007	57,007
Furniture/Equipment	0	2,945	(2,945)	(2,945)
Communications/Utilities	130,500	105,396	25,104	25,104
Capital Outlay	58,800	8,651	50,149	50,149
State Office of Risk Management	10,000	11,104	(1,104)	(1,104)
Subtotal	4,686,930	4,927,705	-240,775	(240,775)
Indirect Support	490,506	436,789	53,717	53,717
Total Manufactured Housing *3	\$ 5,177,436	\$ 5,364,494	\$ (187,058)	\$ (187,058)

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

* 2 The Consumer Claims payment of \$934,455 has been projected to be reduced by actual/projected reimbursement of \$696,721. The remaining balance of \$237,734 was assumed unrecoverable because of bond depletion and/or receivership.

* 3 Had the negative remaining budget balance of \$187,058 been adjusted for actual/projected reimbursement of \$696,721, it would have had a positive remaining balance of \$509,663.

Exhibit A

**Manufactured Housing
Administrative Support Schedule
Fiscal Year 2008**

	FTE's	Salaries	Payroll Related Costs	Total
Support:				
Executive Office	0.10	\$ 10,716	\$ 2,465	\$ 13,181
Internal Audit	0.40	24,857	5,717	30,574
Policy and Public Affairs	0.30	17,892	4,115	22,007
Human Resources	0.70	41,144	9,463	50,607
Facilities and Space Management	0.60	25,469	5,858	31,327
Information Systems	1.80	112,549	25,886	138,435
Financial Administration:				
Director, Financial Administration	0.15	14,407	3,314	17,721
Payroll	0.30	18,536	4,263	22,799
Accounting Manager	0.10	8,728	2,008	10,736
Travel	0.30	15,103	3,474	18,577
Payables	0.25	15,661	3,602	19,263
Program Accountant	1.00	54,076	12,438	66,514
Purchasing	0.50	28,089	6,461	34,550
Total Support, Manufactured Housing	6.50	\$ 387,227	\$ 89,064	\$ 476,291



MANUFACTURED HOUSING DIVISION

Rick Perry
GOVERNOR

Timothy K. Irvine
EXECUTIVE DIRECTOR

Board Members

Presiding Officer, Valeri Stiers Malone
Michael H. Bray
Carlos Amaral
Kimberly A. Shambley

Memorandum

To: MHD Board Members
 Through: Tim Irvine, Executive Director
 From: Jim R. Hicks, Consumer Protection Manager
 Date: July 19, 2007
 Subject: Managerial Budget FY 08 for the Enforcement/Licensing/HORTF Section

The following is the breakdown for the Consumer Protection Section of the Manufactured Division as they relate to Enforcement/Licensing/HORTF.

E.1.2. and E.1.3. Budget Categories	Jim	Explanation
Salaries and Wages	\$ 292,213	Salary for 7 staff members
Temporary	2500	Help for scanning and archiving projects
H/O Consumer Claims	300,000	HORTF Funds
Travel	1,200	Travel for consumer complaints and proactive enforcement efforts
Materials and Supplies	4,766	
Furniture/Equipment	500	
Neubus	11,000	Help for scanning licensing records
Membership Fees	50	CLEAR Membership
Registration Fees - Training	4,200	continuing education for CP staff
Advertising	50	
Postal	10,800	Postage for all licensing and CP letters. CP mails approximately 2200 letters per month
Freight/Delivery	0	
Total	\$627,279	

Please do not hesitate to contact me should you have any questions.



MANUFACTURED HOUSING DIVISION

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EXECUTIVE DIRECTOR

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Kimberly A. Shambley

Memorandum

To: MHD Board Members

Through: Tim Irvine, Executive Director

From: Heidi Maldonado, Document Control Manager

Date: June 12, 2007

Subject: Managerial Budget FY 08 for the Document Control Section

The following is the breakdown for the Document Control Section of the Manufactured Division as they relate to document and archival needs.

	E.1.1	
	Heidi	
Budget	Document	
Categories	Control	
Salaries and Wages	\$ 165,232	Salary for 4 staff members
Temporary	35,000	Needed for filing and in-house scanning
Home Owner Consumer Claims		
Travel		
Materials and Supplies	10,000	Includes boxes and supplies for archiving
Furniture/Equipment	500	
Neubus	35,000	Contracted vendor scanning of SOLs
Membership Fees		
Registration Fees - Training	2400	Training for 4 staff members
Advertising		
Postal		
Freight/Delivery		
	248,132	
	\$ 248,132	
FTE's (includes DC Staff)	4	

Please do not hesitate to contact me should you have any questions.



MANUFACTURED HOUSING DIVISION

Rick Perry
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Kimberly A. Shambley

Memorandum

To: MHD Board Members

Through: Tim Irvine, Executive Director

From: Cindy Bocz, Federal Standards Administrator

Date: July 19, 2007

Subject: Managerial Budget FY 08 for the Inspection/Enforcement SAA Section

The following is the breakdown for the SAA Section of the Manufactured Division as they relate to Installation and Enforcement.

E.1.2. and E.1.3. Budget Categories	Cindy SAA	Explanation
Salaries and Wages	\$ 392,217	Salary for 7 staff members
Temporary	0	
H/O Consumer Claims	0	
Travel	400	Travel to meet with staff as needed
Materials and Supplies	2,000	
Furniture/Equipment	1,000	
Neubus	0	
Membership Fees	150	IBTS Membership
Registration Fees - Training	4,200	continuing education for SAA staff
Advertising	0	
Postal	126	Decrease - Most correspondence is now sent via email
Freight/Delivery	50	
Total	\$400,143	

Please do not hesitate to contact me should you have any questions.



MANUFACTURED HOUSING DIVISION

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Kimberly A. Shambley

To: MHD Board Members

Through: Tim Irvine, Executive Director

From: Bradlee Dansbee, Manager of Statewide Field Operations

Date: June 8, 2007

Subject: Managerial Budget for FY 08 for the Field office operations

E.1.2	Bradlee	Explanation
Budget categories	Field Office's	
Salaries and wages	\$988,584	Salary for 17 staff members
Temporary	0	
HORF Consumer Claims	0	
Travel	191,400	Travel for inspections and investigations
Materials and Supplies	19,766	
Furniture/Equipment	3,000	
Neubus	2,000	Scanning of NOI's (Form T's)
Membership Fees	160	Notaries 4 Admins
Registration fees/Training	10,200	Continuing education for field staff
Advertising	100	
Postage	25,000	Postage for warranty orders
Freight/Delivery	500	
Total	\$1,240,710	



MANUFACTURED HOUSING DIVISION

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Kimberly A. Shambley

Memorandum

To: MHD Board Members

Through: Tim Irvine, Executive Director

From: Verna Boswell, Processing and Customer Service Manager

Date: June 8, 2007

Subject: Managerial Budget FY 08 for the Processing and Customer Service Section

The following is the breakdown for the Processing and Customer Section of the Manufactured Division as they relate to the processing of Statements of Ownership and Location.

	E.1.1	
	Verna	
Budget Categories	Processing/ Customer Services	
Salaries and Wages	\$ 748,766	
Temporary	62,500	
Home Owner Consumer Claims		
Travel		
Materials and Supplies	45,258	
Furniture/Equipment	9,500	
Neubus		
Membership Fees	161	
Registration Fees - Training	12,489	
Advertising	100	
Postal	25,000	
Freight/Delivery	800	
	904,574	
	\$ 904,574	
FTE's (includes DC Staff)	20	

Please do not hesitate to contact me should you have any questions.

DRAFT

ADMINISTRATIVE SERVICES AND COST REIMBURSEMENT AGREEMENT

AMENDMENT NO. 8

SECTION 1. The **Texas Department of Housing and Community Affairs**, a public and official department of the State of Texas ("TDHCA"), and the **Manufactured Housing Division**, an independent entity within TDHCA ("MH Division") do hereby contract and agree to amend their original agreement as initially executed by the Executive Director of TDHCA effective September 1, 2001 through August 31, 2008 for the performance of administrative services.

SECTION 2. The parties hereto agree to amend the agreement identified in Section 1 above so that Exhibit A is revised hereafter to read as given in Exhibit A to this amendment.

SECTION 3. The parties hereto agree that this amendment shall become effective September 1, 2007.

SECTION 4. The parties hereto agree that all of the terms of the agreement identified in Section 1 above shall remain in effect and shall continue to govern to the extent that they conflict with the terms of this amendment.

SECTION 5: By the signing of this amendment, the parties hereto expressly understand and agree that this amendment shall become a part of the agreement identified in Section 1 above as though it were set forth word for word herein.

WITNESS OUR HANDS EFFECTIVE SEPTEMBER 1, 2007.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

By: _____
Michael G. Gerber
Executive Director

MANUFACTURED HOUSING DIVISION

By: _____
Timothy K. Irvine
Executive Director

Exhibit A

**Manufactured Housing
Administrative Support Schedule
Fiscal Year 2008**

	FTE's	Salaries	Payroll Related Costs	Total
Support:				
Executive Office	0.10	\$ 10,716	\$ 2,465	\$ 13,181
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Travel	0.30	15,103	3,474	18,577
Payables	0.25	15,661	3,602	19,263
Program Accountant	1.00	54,076	12,438	66,514
Purchasing	0.50	28,089	6,461	34,550
Total Support, Manufactured Housing	6.50	\$ 387,227	\$ 89,064	\$ 476,291

Committee Action Item No. 3



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
MANUFACTURED HOUSING DIVISION

Rick Perry
GOVERNOR

Timothy K. Irvine
EXECUTIVE DIRECTOR

Board Members
Presiding Officer, Valeri Stiers Malone
Carlos Amaral
Michael H. Bray
Kimberly A. Shambley
Frances Shannon

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: Timothy K. Irvine, Executive Director

SUBJECT: Summary of Internal Audit of Homeowners' Recovery Trust Fund

Background

The Internal Auditing Division has completed its audit of the Homeowners' Recovery Trust Fund ("HORTF"). The Manufactured Housing Division administers the processing of claims on the HORTF and prepares the necessary documents to support disbursement of HORTF claims ensuring controls over disbursements provide reasonable assurance each payment is appropriately supported, authorized, and in compliance with applicable laws and regulations. However, the Internal Auditing Division noted six exceptions related to the management of the HORTF program. They are as follows:

Finding #1

The administrator's spreadsheet lacks completeness and accuracy. It also lacks timeliness to capture certain actions or documentations.

Response

MHD agrees with the finding and will ensure that the CFO works in coordination with the HORTF administrator on a regular basis to improve the completeness and effectiveness of the administrator's spreadsheet. Formal policies and procedures will be established and complied with to ensure bonding companies are promptly billed for HORTF claim reimbursements, collections efforts are pursued timely by referring all unsatisfied claims to the OAG, and uncollectible claims be accounted for and reported correctly.

Finding #2

A separate accounting of HORTF transactions and balances by appropriation and method of finance is not maintained.

Response

MHD agrees with the finding and will ensure the CFO establishes a separate accounting of HORTF transactions and balances by appropriation and method of finance to account for HORTF claim payments. In addition, the CFO will provide the HORTF administrator a statement of transactions and appropriated fund balance available on a current basis.

Finding #3

Documentation to support appropriate notification of licensees was not consistently maintained.

Response

MHD Management discovered this finding on its own and took corrective action approximately six to eight months ago.

Finding #4

Establish a quality control functions and cross train a back-up administrator.

Response

MHD agrees with the finding and is establishing a quality control function to provide reasonable assurance that the posting to the program records used to administer HORTF claims are accurate and complete. Additionally, the MHD is training another employee as a back-up administrator to implement the quality control mechanism and to serve in the absence of the administrator.

Finding #5

There's no restriction in access to HORTF program files.

Response

When MHD Management was notified of this finding approximately four months ago, it took immediate corrective action.

Finding #6

SOP is not updated.

Response

MHD agrees with this finding and is updating the MHD formal SOPs to align with actual procedures in place, applicable laws, regulations, rules, and the policies of management and the board.