



## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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

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## Texas Department of Housing and Community Affairs Office of Internal Audit Audit Plan for Fiscal Year 2022

### Statutory and Professional Standards Requirement

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

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

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

### Development of the Annual Audit Plan

The Fiscal Year 2022 plan is designed to cover areas of highest risk to the State and the agency; however, it does not cover all risks. TDHCA management should utilize internal controls and other appropriate methodologies to mitigate residual risks not covered by the audit plan.

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

- Obtaining management's and the Governing Board's perspectives through surveys and discussions.
- Consulting with the State Auditor's Office and other oversight bodies.



- Reviewing prior TDHCA meeting minutes, audit report findings and recommendations, and budgetary information.
- Evaluating information about key agency business areas, processes, and systems.
- Considering input from internal audit staff.
- Utilizing a matrix whereby identified auditable units were ranked according to standard risk factors.

The budgeted hours for all projects are based on two staff auditors and the Director of Internal Audit.

### **Projects for Fiscal Year 2022 Annual Audit Plan**

We have identified the following projects for inclusion in the 2022 Annual Audit Plan based on our annual risk assessment of the auditable units. The project numbers are for identification purposes and may not correspond to the order in which the projects are performed. Also included below is a brief description of functions to be reviewed.

#### **New Audit Projects:**

##### **1. Texas Rent Relief Program (TRR) – Procurement of Administrative Contracts**

The Texas Rent Relief Program provides rental and utility assistance to qualifying applicants to prevent housing instability, potential eviction, utility disconnections, and financial hardships for tenants and landlords as a result of the COVID-19 pandemic. The funding for this program is part of the Coronavirus stimulus bill passed by Congress. As part of this program, the State of Texas received initially approximately \$1.3 billion to assist landlords and tenants through the Texas Rent Relief Program. Local communities in Texas with populations greater than 200,000 had an opportunity to receive roughly \$700 million in additional direct allocations of these funds.

This program was launched in Feb 2021. The SAO and Clifton-Larson-Anderson (CLA) will include this program in the statewide audit of the Texas financial statements. They will audit requirements in the federal compliance supplement, such as payments and eligibility. The internal audit department will audit operational aspects, primarily procurement of the administrative contracts.

##### **2. Previous Participation Review (PPR)**

The Previous Participation Review function evaluates contractors and sub recipients when TDHCA is considering whether to award them a new contract for the following fiscal year. The function is involved with new and renewed contracts for several different programs and has not been audited before.

##### **3. I.T General Controls**



The Internal Auditing Act requires periodic audits of an agency's information systems. TDHCA's technology is delivered by internal TDHCA Information Systems staff with support from the Department of Information Resources. The audit will primarily focus on the functions of internal TDHCA IS staff and will consider areas such as governance, systems development life cycle controls, physical and logical access to critical hardware and software, backup and recovery, programming change management procedures, and computer operation controls.

#### **4. I.T Application Controls**

Application controls are related specifically to critical information systems software programs and are necessary for the accurate and proper processing of critical business functions on the software. The audit would include areas such as input and access controls, file and data processing controls, output controls and master files and data controls. Application controls will be reviewed for selected applications used by TDHCA to manage Program and administrative data and activity.

#### **5. MH Installation Inspection / Physical Inspection**

Manufactured Housing Division (MHD) of the Texas Department of Housing and Community Affairs administers the Texas Manufactured Housing Standards Act. Because of its regulatory nature, MHD has its own board and executive director, but is administratively attached to TDHCA and receives audit related services from OIA at TDHCA.

The Physical Inspection section of Compliance Monitoring Division was selected for Audit during FY20, and a report was issued on August 14, 2020. However, due to a scope limitation imposed by COVID19 pandemic, this unit will be reviewed more comprehensively during FY22. And since the inspections are performed by MHD similar to those performed by Physical inspection at TDHCA, OIA will conduct these audits together to achieve some economy of scale.

During the course of this audit, OIA also plans to conduct follow up work on the Migrant Labor housing audit that was conducted in 2019, as well as follow up work on the audit of MHD that was performed by SAO in 2020.

#### **6. Texas Homeownership Program**

The Texas Home Ownership program helps eligible Texas homebuyers by providing financial assistance, such as down payment assistance, low interest rate mortgage, and Mortgage Credit Certificate (MCC). The program also offers technical assistance and educational resources for first-time homebuyers throughout the process. This program rated high on our risk assessment due to lack of any prior audits by OIA.

#### **Carry Over Project**



## **Physical Inspection**

The Physical Inspection section of Compliance division performs and administers inspections for developments monitored by the Department throughout the compliance period. The section ensures developments are habitable, well maintained, and ready for occupancy, follow appropriate accessibility standards, and comply with applicable program rules and regulations. The section also administers inspections performed by the Department's contracted inspection firms.

The Physical Inspection section of Compliance Monitoring Division was selected for Audit during FY20, and a report was issued on August 14, 2020. However, due to scope limitations imposed by COVID19 pandemic, OIA had planned to review this unit more comprehensively during FY2021. As noted earlier, this unit will be reviewed along with the audit of Manufactured Housing Division's inspections and follow up work of the Migrant Labor Housing audit during FY2022.

### **Administrative and Statutory Projects:**

- Review of TDHCA compliance with appropriation riders and other requirements of the Government Code
- Annual Audit Plan and reporting
- Annual tracking of the implementation status of prior audit recommendations
- Coordination and review of complaints related to possible Fraud, Waste, and Abuse

### **Consulting Projects and External Audit Coordination**

Pursuant to the TDHCA internal audit charter, the OIA performs consulting activities for the agency. For fiscal year 2022, OIA is providing consulting services related to the new Grant Guidance in 2 CFR 200, as well as subrecipient monitoring.

OIA also coordinates and advises on external audit activities.

Sincerely,

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

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