

**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**  
**An Internal Audit of the Staff Services function at TDHCA,**  
**Audit Report # 23-002**

**Executive Summary**

The Office of Internal Audit (OIA) performed an audit of the Staff Services function at TDHCA, its processes and procedures, as well as internal controls and applicable rules and regulations under which it operates. Based on our review, evaluation, and observations the Staff Services function appears to be operating effectively in providing support to TDHCA and Manufactured Housing (MH) Division in different aspects of their operations. We've identified some areas for improvement in some of the activities under the purview of Staff Services, and they are described in the detailed report.

**Observations and Recommendations**

- OIA recommends that the Staff Services division revise and update all of the current SOPs to reflect the current rules and requirements, and to provide clear and concise guidelines and information for all parties involved.
- Staff Services should communicate any revised SOPs to the rest of the Department's staff (as applicable) to ensure staff compliance with all the requirements (for ex; SOP 1200.11 Driving Policy).
- OIA recommends that the Staff Services implement a more secure check handling process to avoid any potential loss.
- Staff Services should consider creating a comprehensive training program and training materials for Records Management Liaisons to ensure the Department's continues compliance with Records Management rules and requirements.
- OIA recommends that Staff Services remove all of the Records Management and Records Retention related materials from the Intranet that are outdated and are no longer applicable, and replace them with accurate and current materials to avoid any confusions, mistakes, and inconsistency for the staff and RM Liaisons.
- Staff Services should revisit their current practice of storing documents in the Department's basement, and implement a more secure and reliable option.
- OIA recommends that Staff Services, RM Coordinator, and RM Liaisons inventory the documents stored in the unlocked areas of the Department's basement and take necessary actions regarding safe storage or disposal of documents in accordance with Records Retention schedule
- Staff Services should create and implement an efficient and effective periodic building safety inspection, and document the results for evidence.
- OIA recommends that the division implement a more effective and reliable procedure for maintaining and tracking building access cards, for both employees and temporary cards, to avoid any potential unauthorized access to TDHCA and its assets and records

## Management Response

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

### Objective, Scope and Methodology

Our scope included a review of the Texas Administrative Code (13 TAC §6.1 - §6.10), Tex Gov't Code Chapter 441, Chapter 551, and Chapter 552, manuals specific to each activity (ex; Record management manual), and division's internal policy and procedures, Records Retention schedules, State records laws, as well as internal controls currently in place. We also conducted reviews and analysis of the documents and records.



---

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

5/12/23  
Date Signed



**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

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

Greg Abbott

GOVERNOR

**BOARD MEMBERS**

Leo Vasquez, *Chair*  
Kenny Marchant, *Vice Chair*  
Anna Maria Farias, *Member*  
Holland Harper, *Member*  
Ajay Thomas, *Member*

May 12, 2023

*Writer's direct phone # 512.475.3813*

*Email: mark.scott@tdhca.state.tx.us*

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

RE: Internal Audit of the Staff Services function at TDHCA

Dear Board Members:

This report presents the results of the Office of Internal Audit ("OIA") "*Audit of the Staff Services function at TDHCA.*" This audit was conducted in accordance with applicable audit standards and included the objectives to review, assess and evaluate the internal controls related to the activities under Staff Services, as well as accuracy and compliance of those activities with applicable rules and regulations.

The Staff Services function was identified during the fiscal year 2023 risk assessment, and rated high on the risk assessment matrix due to lack of any recent audits of the function, and the changes that occurred during Covid-19 pandemic, and their possible effects on different activities.



For this audit we reviewed the applicable Texas Administrative Codes (TAC)<sup>1</sup>, Texas Government Codes<sup>2</sup>, and other applicable rules and regulations governing Staff Services activities. We also reviewed and evaluated the Standard Operating Procedures (SOPs) specific to the responsibilities of Staff Services function in TDHCA's operation.

This report includes the following sections:

- A. Overall Result
- B. Background
- C. Scope and Methodology
- D. Activities under Staff Services

### **A. Overall Results**

Based on our review, evaluation, and observations the Staff Services function appears to be operating effectively in providing support to TDHCA and Manufactured Housing (MH) Division in different aspects of their operations. We've identified some areas for improvement in some of the activities under the purview of Staff Services, and they are described in the detailed report.

### **B. Background**

Staff Services purpose is to provide support services to TDHCA and MH Division. This includes planning and coordinating functions such as mail management, purchase orders for agency supplies and contracted services, print jobs for TDHCA and MH, records management and records retention, risk management, property management, and phone set-up and technical support through the Department of Information Resources (DIR).

### **C. Scope and Methodology**

Our scope included a review of the Texas Administrative Code (13 TAC §6.1 - §6.10), Tex Gov't Code, manuals specific to each activity (ex; Record management manual), and division's internal policy and procedures, Records Retention schedules, State records laws, as well as internal controls currently in place.

For this audit we also reviewed all of the current SOPs related to the activities under Staff Services purview. We noted that some of the SOPs were very old (one SOP was signed in 2004), and some SOPs did not align with some of the current rules nor did they reflect the current practices of the division. Some SOPs' contents were very vague and unclear, which could result in confusion and non-compliance for the staff. The Staff Services management indicated that they're in the

---

<sup>1</sup> 13 TAC, Chapter 6, Subchapter A

<sup>2</sup> Tex. Gov't Code, Chapter 441, Chapter 551, Chapter 552

process of revising and updating all of the current SOPs. OIA plans to review the revised SOPs during the follow up audit of the Staff Services.

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

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
23-002.01	OIA recommends that the Staff Services division revise and update all of the current SOPs to reflect the current rules and requirements, and to provide clear and concise guidelines and information for all parties involved.	8/31/2023	Staff Services
23-002.02	Staff Services should communicate any revised SOPs to the rest of the Department's staff (as applicable) to ensure staff compliance with all the requirements (for ex; SOP 1200.11 Driving Policy)	8/31/2023	Staff Services

#### Management Response

*Management acknowledges the above recommendations. As mentioned, we were already in the process of reviewing and updating existing SOPS. It is our goal to have Staff Services SOPS updated by no later than August 31, 2023 and to disseminate the information to the Agency, once completed.*

#### D. Activities under Staff Services

OIA reviewed the main activities and responsibilities of the Staff Services function. For this review we met with individual staff in charge of each activity and reviewed their processes, practices, internal controls, and did walkthrough of some of the storage areas. Below is a brief summary of each activity along with our observations and recommendations.

➤ **Mail processing;** Staff Services is tasked with receiving and distributing the mail twice a day at TDHCA. Each piece of incoming mail is opened and inspected prior to being delivered to addressee and the intended division. TDHCA receives checks in the mail on regular basis that are either application fees, mainly from Multi-Family applicants, or loan payment checks for Loan Servicing division. All checks are removed from their envelopes and are entered into the "Cash Receipt" system by the Mail clerk. The checks are then hand delivered to the Financial Administration (FA) division, along with a print out from the Cash Receipt system. If FA staff is

not available to receive the checks in person, the Mail clerk holds on to the checks in a lock box on her desk for a later delivery. However, the keys to the lock box don't seem to be safely secured. At the time of our review we observed that the keys were on the staff desk and easily accessible.

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
23-002.03	OIA recommends that the Staff Services implement a more secure check handling process to avoid any potential loss.	Immediately	Mail Clerk

### Management Response

*Management acknowledges this recommendation. The lockbox key will immediately be stored in a locked cabinet away from the lockbox. We will also take extra caution to make sure that once the key is used, that we will immediately lock it back in the locked cabinet.*

➤ **Records Management;** According to Tex. Gov't Code<sup>3</sup> Records Management (RM) "**means the application of management techniques to the creation, use, maintenance, retention, preservation, and destruction of state records for the purposes of improving the efficiency of recordkeeping, ensuring access to public information under Chapter 552, and reducing costs**". Tex. Gov't Code<sup>4</sup> also mandates that the head of the agency establish and maintain a records management program on a continuing and active basis. It mandates that all agencies create and maintain records containing adequate and proper documentation of the organization, functions, policies, decision, procedures, and essential transactions of the agency. Agency records serve to furnish information to protect the financial and legal rights of the state, as well as those of any person affected by the activities of the agency.

Records Management is a critical part of any organization and involves every employee in the agency. At TDHCA each program, division, and function, has an assigned representative to serve as the Records Management (RM) Liaison. The RM Liaisons are expected to work with RM coordinator in managing the TDHCA's records and meeting the requirements of Records Management and Records Retention. State Records, as defined by Tex. Gov't Code<sup>5</sup>, **means any written, photographic, machine readable, or other recorded information created or received by or on behalf of a state agency or an elected state official that documents activities in the conduct of state business or use of public resources**. Accordingly, any emails, texts, or other electronic devices that contain state documents or are used to conduct state business are subject the RM requirements.

<sup>3</sup> Tex. Gov't Code Section 441.180 (7)

<sup>4</sup> Tex. Gov't Code Section 441.183 & 441.184

<sup>5</sup> Tex. Gov't Code Section 441.180 (11)

OIA reviewed all the documents on Intranet related to RM, including training documents, SOPs, and the list of RM Liaisons. We identified several documents that were outdated, incorrect, and no longer applicable. We also conducted an anonymous online survey, through SurveyMonkey, to gain an understanding of RM Liaisons' experience with Records Management processes and their knowledge and comfort level with the requirements. The results were mostly positive, however, a common denominator was the lack of training and unfamiliarity with RM requirements.

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
23-002.04	Staff Services should consider creating a comprehensive training program and training materials for Records Management Liaisons to ensure the Department's continues compliance with Records Management rules and requirements.	8/31/2023	Records Management Coordinator
23-002.05	OIA recommends that Staff Services remove all of the Records Management and Records Retention related materials from the Intranet that are outdated and are no longer applicable, and replace them with accurate and current materials to avoid any confusions, mistakes, and inconsistency for the staff and RM Liaisons.	8/31/2023	Records Management Coordinator

**Management Response:**

*Management acknowledges the above recommendations. We will consider creating a comprehensive training program to ensure the Department continues compliance with Records Management rules and requirements. We will also work on replacing old records retention related materials with new and updated materials.*

TDHCA uses an offside storage location to store its records. The offside location is with the State Retention Center located at 4400 Shoal Creek Blvd, Austin, TX 78756. Some TDHCA divisions also use the areas in the Department's basement for storing their files and records. OIA visited these areas in the basement to evaluate the safety and security of the records. One area was locked and only accessible by the RM coordinator who maintains the keys and the sign out sheet, but the remaining areas were unsecured and unlocked. We reached out to the Director of one of the divisions that the documents seemed to belong to for inquiry about the nature and content of those documents and whether or not they are under retention period requirements, but the director indicated that he had no idea about the content of those boxes and cabinets in the basement. The division did not seem to have any records of what documents were stored in the basement.

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
23-002.06	Staff Services should revisit their current practice of storing documents in the Department's basement, and implement a more secure and reliable option.	8/31/2023	Records Management Coordinator
23-002.07	OIA recommends that Staff Services, RM Coordinator, and RM Liaisons inventory the documents stored in the unlocked areas of the Department's basement and take necessary actions regarding safe storage or disposal of documents in accordance with Records Retention schedule.	8/31/2023	Records Management Coordinator

**Management Response:**

*Management acknowledges the above recommendations. The area mentioned above is generally locked, and Staff Services employees have keys to access the area; however, due to the AC system being replaced, the Texas Facilities Commission asked that we leave this area unlocked and accessible, during the completion of the project. This area will be secure and locked again, once the AC system is replaced.*

TAC Rule §6.8 (a) states that ***"a state agency must establish policies and procedures to ensure state records are maintained until the expiration of the retention periods on its records retention schedule"***. State agencies are expected to submit a records retention schedule to the state records administrator for recertification every five year after the initial two years of certifications. The retention schedule is essential in agency's compliance with Records Management requirements. It outlines different type of documents that the agency is expected to retain, and the retention period for each document.

OIA reviewed TDHCA's records retention scheduled and confirmed that the Department is currently holding a valid Records Retention Certificate that is valid through November 2024.

➤ **Risk Management and Property Management;** Staff Services function is tasked with monitoring and maintaining the safety and security of the building, as well as inventory and surplus management. The Risk Management Officer performs a monthly building safety inspection of all the areas occupied by TDHCA staff in the building. However, in our review we noted that the monthly safety inspection has only begun since February 2023, and no inspection was completed for the month of April at the time of our review. The inspection sheet is also fairly new and under revision. The final inspection sheet is still in the works.

OIA reviewed all employees' access cards as well as temporary / visitors access cards to the building and found out that 14 access cards needed to be deactivated. This included access cards



of seven terminated employees and three duplicate cards where the original cards were not deactivated after a duplicate card was issued to the employee. Two temporary cards were also unaccounted for at the time of our review. All of the identified cards were immediately deactivated by the Human Resources staff, as this item has moved from Staff Services to Human Resources division a couple of months prior to this audit.

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
23-002.08	Staff Services should create and implement an efficient and effective periodic building safety inspection, and document the results for evidence.	8/31/2023	Risk Management Officer
23-002.09	OIA recommends that the division implement a more effective and reliable procedure for maintaining and tracking building access cards, for both employees and temporary cards, to avoid any potential unauthorized access to TDHCA and its assets and records.	Immediately	Human Resources

**Management Response**

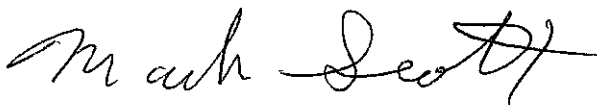
*Management acknowledges the above recommendations. As mentioned, the building safety inspection is fairly new; we will continue to perform efficient and effective inspections on a monthly basis and document the results.*

*In regards to building access cards, we are confident that access cards will be activated and deactivated in a timely manner, now that Human Resources has taken over the task. At the end of every fiscal year, we will request a report from TFC that will be reviewed for accuracy.*

We conducted this performance audit in accordance with applicable auditing standards. We provided our findings and recommendation based on evidences obtained through our reviews and based on our audit objectives.

We extends our appreciation to Staff Services management and personnel for their cooperation and assistance during the course of this audit.

Sincerely,



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

MS/NS