



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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Email: Mark.Scott@tdhca.texas.gov

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

RE: Internal Audit Report on the Implementation Status of Prior Audit Findings and Recommendations, Report # 24-005

Dear Board Members,

The TDHCA Fiscal Year 2024 Internal Audit Plan provides for a review of the implementation status of prior audit recommendations. The purpose of this report is to provide information regarding the status of management's efforts to address issues and recommendations noted during both internal and external audit work.

SCOPE AND METHODOLOGY

Our follow-up work covers TDHCA Office of Internal Audit (OIA) open findings and related recommendations made in audit reports dated through December 31st, 2023. An open finding is defined as a finding that was not completely addressed, or for which further action was still required, at the time of this review.

BACKGROUND

The TDHCA undergoes internal and external audits on a regular basis. Internal audits and external audits and reviews may include findings and associated recommendations that require follow-up to ensure that the issues identified during the audits have been addressed. External audits by the State Auditor's Office and federal oversight agencies may also include either formal findings or informally communicated issues that require follow-up. The Institute of Internal Auditors Standards state that "the chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management. The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been

effectively implemented or that senior management has accepted the risk of not taking action. The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.”(I.A Standards, IPPF 2500.A1 through 2600)

The following report provides an inventory of internal and external audits, and the related open findings. Findings that have been fully implemented will not be carried forward for future follow up activities.

Internal Audit reports addressed during this follow-up project include:

A. Audit reports with carry-over open findings that were outstanding as of the follow-up report dated August 2023:

1. Internal Audit of Continuity of Operation Plan (COOP) at TDHCA, Report # 20-002

For detailed status of each Internal Audit finding and recommendation see **Appendix A.**

B. Internal Audits reports issued between January and December of 2023:

1. Internal Audit of Texas Bootstrap Loan Program, Report # 23-001
2. Internal Audit of Staff Services Division at TDHCA, Report # 23-002
3. Internal Audit of the Texas Statewide Homebuyer Education Program (TSHEP) and Homebuyer U, Report # 23-003
4. Internal Audit of the HOME Disaster Relief Fund, and Tenant Based Rental Assistance (TBRA) programs, Report # 23-004
5. Internal Audit of the Community Development Block Grant CARES Act Program (CDBG-CV) and Community Development Block Grant Colonial Self Help Center (CDBG-CSHC), Report # 23-005

For detailed status of each Internal Audit finding and recommendation see **Appendix B.**

External audits

External audits and reviews of TDHCA are conducted by the State Auditor’s Office (SAO), the Comptroller’s Office, the Sunset Commission, and other oversight agencies. They are also conducted by Federal Funding agencies, and their various departments such as Inspector General’s Office and program monitoring. Both State and Federal audits track the status of findings related to TDHCA.

State Auditor’s Office (SAO)

Annual Financial Statement Audit, report # 24-555

The SAO conducts the Financial Statement part of the Statewide audit. The FY 2024 SAO statewide audit report showed the prior finding related to TRR reporting on the TDHCA SEFA has been corrected and is closed.

Federal compliance portion of Statewide audit, report # 24-318

The federal compliance portion of the statewide audit for Texas, SAO Report #24-318, cited findings for TDHCA related to Emergency Rental Assistance (ERA) Program in areas of eligibility, special tests and provision-ERA funds reallocation, and subrecipient monitoring, and Homeowner Assistance Fund (HAF) Program in areas of eligibility and reporting. TDHCA has been working with federal funding agencies and the Comptroller to resolve these findings.

We would like to express our appreciation to TDHCA management and staff for their courtesy and cooperation during this follow up work.

Sincerely,



Mark E. Scott, CPA, CIA, CISA, CFE, MBA
Director of Internal Audit

Cc: Bobby Wilkinson, Executive Director
Beau Eccles, General Counsel
Brooke Boston, Deputy Executive Director of Programs
David Cervantes, Director of Administration
Joe Guevara, Director of Financial Administration
Larry Mercadel, Director of Information Systems
Rudy Bentancourt, Director of CDBG CARES Act
Abigail Versyp, Director Single Family and Homelessness Program
Nicole Krueger, Director of HR / Staff Services
Lisa Johnson, Director of Texas Homeownership

Appendix A

Status of Internal Audit Findings and Recommendations As of August, 2023

1. Audit Report # 20-002

Internal Audit of the Continuity of Operation Plan (COOP) at TDHCA

OIA Findings and Recommendations:

- I. OIA recommends that management take steps to update the COOP document as soon as reasonably possible, ensuring all essential programs and processes are included with the inclusion of realistic recovery time objectives.
- II. Management should establish procedures to ensure that, going forward, the COOP is updated and tested annually, with COOP employee training conducted at hire and annually. An updated copy of COOP should be accessible via intranet and hard copy offsite.
- III. OIA recommends that management considers selecting a team of individuals to advise and assist in completing and maintaining the COOP document. All Divisions, including the MHD, should be a part of this team to provide necessary input.
- IV. Management should review additional scenarios for COOP that assume loss of key personnel and/or critical systems for a timeframe longer than three business days, to determine any manual workarounds or additional resources required to respond to the disaster and continue processing business.
- V. Management should reassess the designation of space in the building where MHD resides as an alternative site; if continued, the agreement between TDHCA and MHD should be reviewed annually along with COOP.
- VI. OIA recommends that the TDHCA Succession of Authority be reviewed annually for any updates required.
- VII. OIA recommends that the current Disaster Recovery Plan included in the Information Systems Division SOP 1264.04 be updated in tandem with COOP completion and guidance, including critical systems priority and attainable recovery times.
- VIII. OIA recommends that ISD perform a review and validation of the files to be backed up by DIR at the time of any new server implementation and annually for all critical server files.
- IX. OIA recommends that management consider expanding testing the Disaster Recovery Plan in light of COOP requirements for recovery times and involving the Program areas to incorporate business-related COOP functions.

Management's response and reported status:

- I. The COOP was updated in August 2023.
- II. The COOP has been updated and a copy can be found on the intranet at https://internal.tdhca.state.tx.us/agencycp/webtree.tree_explorer?v_id=43404&v_mode=view
- III. At the moment, we have a small team of individuals to advise and assist in the maintenance of the COOP. That team is comprised of the Risk Manager, ISO, Director of Information Systems, HR Director, Staff Services team leader, Financial Director, and Director of Administration/CFO. We are still considering the inclusion of all Divisions, including MHD, but that has been placed on hold while most of the agency continues to work remotely.
- IV. Additional scenarios are being reviewed by the Risk Manager, ISO, and Director of Information Systems and will continue to be reviewed. This is one of those recommendations that cannot be marked as complete, since the scenarios are fluid and change constantly. We will continue reviewing and coming up with ways to respond to different disasters. It is our belief that cloud technology, telework, remote conditions can help address these matters.
- V. Space locations have been updated to reflect Insurance Annex and Bush Bldgs. We can activate emergency procurement policies and collaborate with DIR/TFC to immediately rent; perhaps utilize San Angelo center, utilize mobile disaster recovery services such as Sunguard or consider remote/telework solutions. It is our sincere belief that with the majority of agency staff working remotely that the risk of needing an alternate location has been reduced. We are happy to report that the agency has the capacity to fully activate its operations remotely, if necessary.
- VI. The HR Director sends the TDHCA Succession of Authority to the Executive Director/General Counsel at the end of each fiscal year and seeks their review/approval. The most recent Succession of Authority was executed on August 14, 2023 and is on schedule to review again.
- VII. TDHCA ISD has created a master SOP list to manage and list all SOP's that ISD is responsible for and to ensure that they are reviewed annually. Throughout the year ISD staff review and edit the SOP's to incorporate necessary changes before having an executive level review. After the executive level review the SOP's are routed to the TDHCA Executive Director for approval and signature. The current SOP 1264.04 was signed by Mr. Wilkinson on 9/6/2023.
- VIII. TDHCA ISD works with DIR STS to perform an annual disaster recovery test. ISD will select any new servers or servers that have experienced a significant change as the servers to be restored. This ensures that any servers that have been added to the service are fully tested and restored to a DIR environment and everything is working as intended.
- IX. TDHCA ISD works with DIR STS to perform an annual disaster recovery test. ISD will select any new servers or servers that have experienced a significant change as the servers to be restored. This ensures that any servers that have been added to the service are fully tested and restored to a DIR environment and everything is working as intended.

Findings closed

Appendix B

Status of Internal Audit Findings and Recommendations As of August, 2024

1) Audit Report # 23-001

Internal Audit of Texas Bootstrap Loan Program

OIA Findings and Recommendations:

- I. IA recommends that a periodic review of the Participants to be done, whether as a Compliance visit or a Desk review, to ensure Participants' compliance with all applicable rules and regulations of the program.
- II. IA recommends that the program review their current forms and documents for consistency and accuracy, and to improve their documentation and record keeping process.

Management's response and reported status:

- I. Bootstrap has been added to the subrecipient monitoring plan beginning with the first quarter of SFY 2025. Please see the attached FY2025 Annual Monitoring Plan.
- II. The Information Authorization Form was updated prior to the completion of the audit report. Bootstrap funds are now administered through the Housing Contract System and files are uploaded. This change commenced beginning SFY 2023.

Findings closed

2) Audit Report # 23-002

Internal Audit of the Staff Services Division at TDHCA.

OIA Finding and Recommendation:

- I. 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.
- II. 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)
- III. OIA recommends that the Staff Services implement a more secure check handling process to avoid any potential loss.
- IV. 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.
- V. 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.

- VI. Staff Services should revisit their current practice of storing documents in the Department's basement and implement a more secure and reliable option.
- VII. 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.
- VIII. Staff Services should create and implement an efficient and effective periodic building safety inspection and document the results for evidence.
- IX. 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's response and reported status:

- I. SOPs have been updated on the intranet.
- II. Send agencywide to notify all staff of updated SOPs.
- III. A combination magnetic lock box has been purchased with and only staff services know the combination.
- IV. Training materials have been updated on the intranet and originate from TSLAC.
- V. Complete.
- VI. Unfortunately, due to storage space at the SRC, we are limited on the amount of new accessions we can create. All cages are locked now that the AC work is almost complete, and only FASS staff have keys to access these areas.
- VII. Coordinating with division RMLs as their workflow allows. Files documented on the intranet in the Records Management System.
- VIII. A rotating monthly walk-through was performed on each floor and is documented.
- IX. HR has assumed this from FASS and are compliant. Badges are locked away, and only HR staff have access.

Findings closed

3) Audit Report # 23-003

Internal Audit of the Texas Statewide Homebuyer Education Program (TSHEP), and Homebuyer U.

OIA Findings and Recommendations:

- I. IA recommends that updates to the TSHEP and Homebuyer U website, Homebuyer U online courses, and counselor list be made to reflect the Department's current offerings and to ensure that all information provided to homebuyers is correct, accessible, easily usable, and current.
- II. IA recommends that Homebuyer U emphasize in the training that the audio portion of the course is necessary in order to pass the exit assessment, and include more information from audio transcript in slides to make the training easier to follow.
- III. IA recommends that Homebuyer U exit assessments be updated to accurately reflect the information provided in the online training module.

- IV. IA recommends that TSHEP incorporate HUD resources to better align with government code §2306.253, such as provide additional counselors and additional education resources to homebuyers.
- V. IA recommends that TSHEP create or adopt clear and concise standards for adding new TDHCA housing counselors and accepting outside homebuyer education certificates in lieu of TDHCA's Homebuyer U
- VI. IA recommends that the Homebuyer U online training modules be updated to reflect the division standards of procedure provided by the Homebuyer Education National Industry Standards.
- VII. IA recommends that the Department institute a regular update schedule for TSHEP and Homebuyer U to ensure that all programs remain current and functional.
- VIII. IA recommends that the issuance of homebuyer education certificates be accompanied with a secondary authentication procedure to ensure that the individual providing the certificate as a required document did in fact complete the required education. For example, a percentage of the certificates, rather than all provided, may be authenticated to alleviate staff burdens, if necessary
- IX. IA recommends that PDF certificates issued by the Homebuyer U program are locked to prevent editing.

Management's response and reported status:

- I. Texas Homeownership is undergoing a complete review of current online courses with the intention of replacing the current HBE vendor with additional resources and include new courses and a new list of housing counselors and search engine. Texas Homeownership is in the process of seeking a new DIR approved website developer who will implement new outward facing interfaces to the public on the Texas Homebuyer Program website.
- II. The Texas Homeownership Division agrees and will continue to ensure it remains accessible.
- III. Texas Homeownership has determined that the current vendor has met a minimum national standard for Home Buyer Education and is functioning as intended, however no longer meets what TDHCA deems it to be, the Highest and Best service to the community and is no longer cost effective to invest further budget to bring the current vendor up to TDHCA requirements.
- IV. Texas Homeownership is in the process of adding and offering at least three National HBE Programs that are all HUD Certified and offer additional financial literacy components in addition to only future homebuyer training.
- V. TDHCA- Texas Homeownership is developing an application criteria for Housing Counselor inclusion on the Texas Homebuyer Program website. Additionally, TDHCA will be publishing a new list of acceptable HBE Certificates on the Texas Homebuyer website.
- VI. Homeownership believes that the current HBE offering was developed according to National standards that it is imperative to upgrade TDHCA Homebuyer education to the HUD Certification higher standard and is in the process of completing an existing contract

- with WEDU, the current vendor and providing access to HUD Certified HBE courses before the end of 2024.
- VII. Newly appointed HBE vendors will implement, regular course updates that include customized modules for TDHCA Homeownership Programs.
 - VIII. Current vendor does provide a back end system to verify homebuyer participation levels and completion levels, however the interface is laborious to utilize on a singular verification level and would not be a viable option due to staff time. New HBE vendors provide robust reporting methodology to alleviate additional TDHCA staff time.
 - IX. Texas Homeownership agrees and is working with new HBE vendors to assure a sufficient security level on each pdf certificate.

Findings closed

4) Audit Report # 23-004

Internal Audit of the HOME Disaster Relief Fund, and Tenant Based Rental Assistance (TBRA) programs.

OIA Findings and Recommendations:

- I. OIA recommends that the program establish an online training session, such as pre-recorded training sessions, to provide continuous assistance to the Administrators and their staff.
- II. OIA recommends that the program management perform a periodic review of access permissions to program folder that contains applicants' personal information.

Management's response and reported status:

- I. While SFHP does not host group trainings on a set schedule or publish most training presentations online, management has determined that the current policy is sufficient to meet the needs of our Administrators on a personalized basis. Management notes that the narrative prior to the listed Observation states that the materials presented in training are useful, precise, and comprehensive, and appreciates the review of our training materials. The current policy of SFHP is to provide training upon request of the Administrator, or at the recommendation of the Performance Specialist assigned to the Administrator. Our trainer then reaches out to the Administrator and discusses their specific needs and updates each training to address the Administrator's concerns. SFHP does retain some recorded HOME Program training materials on its Technical Assistance webpage, but has not found that pre-recorded trainings are regularly accessed by Administrators, and it is more difficult to determine the mastery of the content presented than it is with a live training. No changes to the SFHP training policy or format are proposed by management in response to this Observation.
- II. While management is sensitive to the issues related to protecting personal information, we do not agree that the Program area holds the responsibility to monitor all TDHCA employee access to the program folders that contain applicants' personal information. This access is already subject to the requirements of TDHCA SOP 1264.01, which details the delegation of responsibility for network access. Although the narrative does conclude

that this is a low-risk item because persons must have access to the TDHCA network to access any network folders, management reached out to Information Systems to determine the potential risk related to this Observation. The staff that appeared to still have theoretical access to the folder only appeared because their accounts were not deleted when they left agency employment, which is not required; however, the accounts had all been deactivated. This means that even if the former staff had somehow been able to log into the network, they would not have had access to any network folders. As network access is governed by an existing SOP, 1264.01, management does not intend to update its processes or create new policies in response to this Observation.

Management accepts the risk. Findings closed.

5) Audit Report # 23-005

Internal Audit of the Community Development Block Grant CARES Act (CDBG-CV, and Community Development Block Grant Colonial Self Help Center (CDBG-CSHV)

OIA Findings and Recommendations:

IA recommends that the CDBG-CARES Division ensures that all sub-recipients are up to date on required Audit Certification Forms (ACF) and Single Audits throughout contract duration. The CDBG-CARES Division should work closely with the Sub-recipient Monitoring Division to track ACFs and, if applicable, Single Audits.

Management's response and reported status:

The CDBG-CARES Division continues to request and receive Audit Certification Forms and Single Audits (as required) from all open contracted subrecipients. CDBG-CARES has continued to track the due date of each open contracted project ACF and Single Audits and communicates with the subrecipient on an annual basis of the due date and the requirement to submit the forms to both the Program and to TDHCA Audit Staff at saandacf@tdhca.state.tx.us as well as submission of the Single Audit to the Federal Audit Clearinghouse.

Findings closed