



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.TDHCA.Texas.Gov

Greg Abbott
GOVERNOR

BOARD MEMBERS
LEO VASQUEZ, CHAIR
KENNY MARCHANT, VICE CHAIR
CINDY CONROY, MEMBER
ANNA MARIA FARIAS, MEMBER
HOLLAND HARPER, MEMBER
AJAY THOMAS, MEMBER

Texas Department of Housing and Community Affairs Office of Internal Audit Audit Plan for Fiscal Year 2025

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 2025 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 2025 Annual Audit Plan

We have identified the following projects for inclusion in the 2025 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. Real Estate Analysis

The Real Estate Analysis division provides the TDHCA Governing Board and staff with comprehensive analytical reports necessary to make well informed decisions for funding of affordable housing developments. The Real Estate Analysis division rated high on the risk assessment because of the complexity of its operations, and the division has not undergone any recent audits.

2. Single-Family Mortgage Revenue Bond

The Bond Finance Division is primarily responsible for administering the Department's Mortgage Revenue Bond (MRB) program. MRB programs provide below-market interest rate funds for single family homebuyers and multifamily mortgage loans made to qualifying recipients. The Bond Finance Division is chiefly responsible for structuring, restructuring, administering and monitoring the Department's Single Family Mortgage Revenue Bonds ("SFMRB") issues. The Single Family Mortgage Revenue Bond rated high on the annual risk assessment because of the complexity of its operations, and lack of any recent audit of the division.

3. HOME/NSP/NHTF Rent Approval

Asset Management is responsible for oversight of development performance for all multifamily properties. HOME, HOME-ARP, NHTF, NSP, and TCAP-RF Developments committed funds on or after August 23, 2013 on which construction has been completed are required by 24 CFR §92.252(f), §93.302(c)(2), and 24 CFR §92.219 to submit annual rent approval requests to their Asset Manager by no later than August 1st of each year. Rents will be evaluated and approved based on submission of the Annual Rent Approval Request packet. Rents will be reviewed and approved within 30 days as long as the form and all exhibits have been received. This function has not been audited in recent years, and therefore rated high on the annual risk assessment for FY2025.

4. Travel

State Employees are entitled to reimbursement of certain travel expenses required by the Department to conduct official state business. The amount of reimbursement is subject to certain limitations as prescribed by Chapter 660 of the Texas Government Code, the General Appropriations Act, and rules adopted by the Comptroller. The Department's travel policy is designed to comply with the adopted rules of the Texas Procurement and Support Services Division (TPASS) relating to the State Travel Management Program (STMP).

5. Davis Bacon

Davis-Bacon wage rates apply to HUD-funded projects based on the labor provisions contained in Federal Labor Standards Requirements in Housing and Community Development Programs such as the U.S. Housing Act of 1937, the National Housing Act, the Housing and Community Development Act of 1974, the National Affordable Housing Act of 1990, and the Native American Housing Assistance and Self-Determination Act of 1996. These regulations ensure that mechanics and laborers employed by construction work under federally-assisted contracts are paid wages and benefits equal to those that prevail in the locality where the work is performed.

Davis Bacon covers HUD Community Planning & Development (CPD) programs such as HOME, HOME-ARP, NSP, and Section 811 Project Rental Assistance (PRA).

6. Amy Young Barrier Removal

The Amy Young Barrier Removal (AYBR) Program provides one-time grants of up to \$22,500 for qualified households with Persons with Disabilities who need modifications to increase accessibility and eliminate hazardous conditions in their home. The AYBR Program is funded through the State Housing Trust Fund, a biennial State authorized allocation. TDHCA provides funds to administrators through a reservation system and funds are replenished via NOFAs (Notice Of Funds Availability) on a regular basis. TDHCA contracts with nonprofit organizations and local governments to administer the AYBR Program.

Carry Over Project

Grant Accounting: This area is vital in performing proper accounting for the revenue and expenses related to grants. There is a high volume of transactions, some of which can be complex. This area has not undergone a recent internal audit.

This audit was placed on hold during FY2024 to avoid any interference with the audit that was performed by State Auditor's Office (SAO)

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 2025, OIA is providing consulting services related to the new Grant Guidance in 2 CFR 200, as well as sub-recipient monitoring.

OIA also coordinates and advises on external audit activities.

Sincerely,



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

MS/NS