

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Internal Audit of the Housing Resource Center (HRC) Division

Audit Report # 26-002

Executive Summary

The Office of Internal Audit (OIA) performed an audit of the Housing Resource Center Division at TDHCA to assess and review the effectiveness and efficiency of the division's processes and to evaluate the administrative and internal controls currently in place.

Based on our review and testing the Housing Resource Center Division seems to be operating effectively in receiving and handling incoming complaints, gathering necessary information and data relating to statutory reporting requirements, submitting periodic reports to appropriate oversight bodies, and providing assistance to the public and applicants of TDHCA programs. We identified some areas for improvement and made recommendations to the staff. Details of our recommendations and management responses are included in the report.

Observations and Recommendations

- OIA recommends that the Department and HRC Division consider implementing other options, such as web or cloud-based solutions, to manage the Department's data to improve efficiency of the processes for HRC and other divisions and programs.
- OIA recommends that the HRC Division consider creating divisional SOPs for other functions that fall under its purview, to create better consistency throughout their processes.
- OIA recommends that HRC division consider creating a collaborative process with other divisions and program that can ensure proper documentation and timely resolutions to the complaints.
- OIA recommends that HRC staff perform the follow-up of the open complaint on quarterly basis instead of annual to avoid delays in response and resolutions of complaints.
- OIA recommends that the management review and revise target numbers every year to keep up with the increase in population and applicants, and to ensure more accurate forecasting for the division and its potential staffing needs.

Objective, Scope, and Methodology

Our scope included reviewing applicable Texas Administrative Codes and TX Gov't Codes, and SOPs related to specific activities under HRC. We conducted interviews with several division staff to evaluate their roles and responsibilities, and performed testing and analysis of their processes, including receiving and handling of complaints and submitting periodic reports to applicable oversight bodies



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

5/21/26

Date Signed



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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

RE: Internal Audit of the Housing Resource Center (HRC) Division

Dear Board Members:

This report presents the results of the Office of Internal Audit ("OIA") "Internal Audit of the Housing Resource Center (HRC) Division". This audit was conducted in accordance with the applicable audit standards. It included the objectives to assess and review the effectiveness and efficiency of the Housing Resource Center division's processes at TDHCA and to evaluate the administrative and internal controls currently in place.

The Housing Resource Center (HRC) Division rated high on the annual risk assessment and was included in the approved Fiscal Year 2026 audit work plan and was selected for audit due to recent changes in the leadership team of the division, as well as the extent of statutorily required activities related to plans and reports, for both Federal and State authorities, customer service functions, and compilation of Board and Committee meeting materials that the division is tasked with.

For this audit we reviewed applicable Texas Administrative Codes¹ and TX Gov't Code², and SOPs related to specific activities under HRC. We conducted interviews with several division staff to evaluate their roles and responsibilities, and performed testing and analysis of their processes, including receiving and handling of complaints and submitting periodic reports to applicable oversight bodies.

This report includes the following sections:

- A. Overall Result
- B. Background Information
- C. Scope and Methodology
- D. Roles and responsibilities
- E. Testing and Recommendations

A. Overall Results

Based on our review and testing the Housing Resource Center Division seems to be operating effectively in receiving and handling incoming complaints, gathering necessary information and data relating to statutory reporting requirements, submitting periodic reports to appropriate oversight bodies, and providing assistance to the public and applicants of TDHCA programs. Our attribute testing included verification of compliance with current rules and regulations for the many statutorily required functions for reporting, and Board meetings, along with evidencing appropriate approvals and verifications by HRC and Program management, where applicable. We identified some areas for improvement and made recommendations to the staff. Details of our recommendations and management responses are included in the later sections of this report.

B. Background Information

Texas Government Code §2306.252 "Housing Resource Center" specifically outlines duties and responsibilities fulfilled by TDHCA's Housing Resource Center Division. Per the TDHCA website, the Housing Resource Center provides educational materials and technical assistance to the public, community-based housing development organizations, nonprofit housing developers, and other state and federal agencies. This assistance helps providers determine local housing needs, access appropriate housing programs, and identify available funding sources needed to increase the stock of affordable housing. Other responsibilities of the Housing Resource Center include offering assistance to the general public in locating the appropriate service providers in their community, processing complaints regarding Program activities, and being responsible for coordinating, preparing and submitting plans and reports that TDHCA is required to submit in compliance with state and federal government regulations.

¹ 10 TAC, Chapter 1, Rule §1.2

² TX Gov't Code Section §551, Section §2001, Section §2002, and Section §2306

The HRC division also handles the System Award Management (SAM) active status requirement for the Department when programs necessitate this service through the grant application process. SAM tracks all registrations for federal grants and awards, and active status is necessary to receive funding. Through all these systems, HRC maintains conversations with interested Texans and advocates about the Department's programs. These conversations then play a key role in TDHCA's strategic planning process, which HRC aids by compiling and developing many of the Department's federal and state required plans and reports. Examples of such planning and reporting documents include the State of Texas Low Income Housing Plan and Annual Report (SLIHP), and the State of Texas 5-Year Consolidated Plan (Con Plan). In addition to plans and reports, HRC often provides policy research and data analysis for TDHCA's ad hoc special projects and programming. The division also compiles the TDHCA Agenda and Book for both full Board and Committee meetings, and are responsible for posting all documents and agendas as required on the TDHCA website and *Texas Register* for public access.

With the extent of customer service and reporting functions managed by the HRC, the division's success depends on both excellent customer service skills and a high level of organization. The primary challenges facing the division in efficiently and correctly completing these reports is the current technology available to the Department. HRC staff currently utilize Microsoft Access to pull information out of the TDHCA central database.

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
26-002-01	OIA recommends that the Department and HRC Division consider implementing other options, such as web or cloud-based solutions, to manage the Department's data to improve efficiency of the processes for HRC and other divisions and program.	June 30, 2026	HRC Director

Management Response

HRC Management agrees with this assessment and will gladly participate and assist the Department in determining the best avenue for achieving this goal. By June 30, 2026, HRC will meet with the Information Systems Division (IS) to begin discussions in this regard.

C. Scope and Methodology

Our scope included a review of the Texas Administrative Code, Chapter 1, §1.02, TX Gov't Code, Section §551, Section §2001, Section §2002, and Section §2306, and SOPs related to Customer Complaints and Board book materials. We conducted interviews with several division staff and performed testing and analysis of the processes involved in handling complaints, gathering necessary information and timely submission of statutory required reports and planning, and coordinating with programs and division in compiling Board and Committee books and agendas.

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.

OIA reviewed current SOPs related to HRC: SOP 1100.19 (TDHCA Procedures for Promulgating Texas Administrative Code (TAC) Rules), and SOP 1270.05 (Consumer Complaints), and noted that the current SOP related to Consumer Complaints does not provide guidance and instructions for handling of any claims of fraud, waste, and abuse, or complaints against TDHCA staff or management. We also noted that the Division does not have SOPs for other functions under HRC such as preparation and submission of periodic report.

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
26-002-02	OIA recommends that the HRC Division consider creating divisional SOPs for other functions that fall under its purview, to create better consistency throughout their processes.	NA	NA (See Below)
26-002-03	OIA recommends that the HRC division, in collaboration with TDHCA management, review the current SOP (1270.05) and clarify its process and procedure in handling of any complaints or claims of fraud, waste, and abuse against TDHCA or its staff and programs.	July 30, 2026	HRC Director

Management Response

26-002-02. *Audit staff have noted 8 of the periodic reports HRC is responsible for in Section D of this report, each has its own unique timeline, requirements, and software used to complete the report. The HRC does maintain a "playbook" for every process under its purview (over 30 individual playbooks). These playbooks are as granular, or more, than any SOP and are wholly specific to each report or process of HRC. Further each playbook is reviewed every time the process or report is completed and the playbook updated on a regular basis to ensure any changes to the process are properly documented and available to any staff member who may be tasked with its completion in the future. These playbooks are essentially more flexible and nimble tools for documenting and standardizing work. Creating SOPs for periodic reports would create unnecessary administrative burden on HRC staff in creating duplicate documents for these 30 plus processes. HRC management can sign these playbooks as a means to satisfy this recommendation in place of creating new documents.*

26-003-03 *HRC staff agree with this assessment that more specific and concise information related to complaints of fraud, waste and abuse and complaints against staff and how to handle those complaints should be added to SOP 1270.05. Staff will update this SOP by the noted deadline above.*

D. HRC Roles and Responsibilities

Complaint Resolutions

"Tex Gov't Code §2306.066 and 10 TAC §1.2 require the Department to process complaint received by the public that the Department has the authority to resolve."

The HRC Division uses the Public Complaint Tracking System (System) that is internet base and maintained by TDHCA's Information Services (IS) Division for public complaints. The system assigns a unique number to each complaint that can be used for tracking purposes. HRC staff receives and reviews each complaint to determine if the complaint is related to one of the programs under TDHCA's authority and forwards the complaint to the appropriate division if applicable. HRC staff is also required to respond to the complainant within 15 days of receiving their complaint to confirm receipt of their complaint and provide a copy of 10 TAC §1.2. Program and Division staff are tasked with resolving any complaint or issues related to their program area, updating the System with their progress and resolutions, and maintaining records and files related to each case. HRC staff performs an annual follow up of the "open" cases to identify any complaints that have not been closed in the System. Those cases are then forwarded again to the appropriate division and program. If a complainant's issue is not under TDHCA's authority, or not related to one of the Department's programs the complainant is provided with the list of possible resources to pursue their case with the appropriate authority.

For this audit we randomly selected a sample of 20 complaints that were received during 2025 calendar year. We reviewed each file for completion, timely response, and timely resolutions.



We found that in two cases the acknowledgement letter was not sent to the complainant, and at least four closed cases did not have any documentation in their folders. We also reviewed all the complaints received in 2024 and in 2025 (total of 2248 and 2381 respectively) and found that 105 complaints in each calendar year were still "Open" in the System.

SOP 1270.05 states that "Complaint Coordinator to check for unresolved complaints quarterly and reach out to complaint liaisons for updates".

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
26-002-04	OIA recommends that HRC division consider creating a collaborative process with other divisions and program that can ensure proper documentation and timely resolutions to the complaints.	June 30, 2026	HRC Director
26-002-05	OIA recommends that HRC staff perform the follow-up of the open complaint on quarterly basis instead of annual to avoid delays in response and resolutions of complaints.	June 30, 2026	HRC Director

Management Response

26-002-04 HRC staff currently work in collaboration with program staff to ensure complaints are handled timely. The TDHCA Compliance Division created a new role of "Compliance Complaint Coordinator" to ensure that Complaint Monitors and Physical Inspectors are properly documenting and closing complaints in a timely manner. HRC staff will periodically send a reminder to each division's management reminding them of the need for documentation in complaint folders. Additionally, HRC will institute a quarterly spot check on a randomly selected batch of complaints to test whether appropriate documentation has been placed in the file.

26-002-05 HRC staff will update SOP 1270.05 as noted in Observation Number 26-002-03 to address frequency of checking for open complaints. However, staff does not concur that this should be performed quarterly, but every six months. HRC staff started doing follow up annually due to the increased time it takes for some complaints to be handled. It should be noted that HRC has no authority to close a complaint that is still under review by Compliance or another TDHCA program area. As noted in this report, of the 4,629 complaints received in calendar years 2024 and 2025 only 4.5% remained open. HRC staff performed an annual complaint follow up in May 2026, and as of this writing the number of open complaints from 2024 and 2025 now total only 160 or 3.5% as compliance and other Department staff review the open complaints and determine if they should be closed.

Periodic Reports and Plans

The HRC Division is responsible for plans and reports that TDHCA is required to submit to receive funding from both the state and federal government. These policy documents are integral components of the strategic planning process that determines the direction of housing policy for the State of Texas. These plans and reports include, but are not limited to:

- **Customer Service Report**
 - The TDHCA Report on Customer Service is required by Chapter 2114 of the Texas Government Code and is prepared in accordance with State Strategic Planning guidelines. The report evaluates TDHCA's facilities, staff, communications, Web site, complaint process, service timeliness, and printed information. HRC creates the survey, puts the survey out for 30 days and then analyzes the results. HRC then provides that analysis to DPPA for inclusion in the State Strategic Plan. This is a biennial report that is submitted by June 1st of odd years.
- **Davis Bacon Report**
 - Davis Bacon is a federal law that ensures prevailing wages to contractors being paid by federal funds. HRC compiles the information provided by the Multifamily, HOME-ARP³, and CDBG-CV⁴ divisions and biannually submits this information to HUD. HUD emails their request for the report by April 1st and October 1st of each year. HRC then follows the instructions provided and the prevailing format requested by HUD to submit this information on behalf of the agency.
- **Housing Sponsor Report**
 - Tex. Gov't Code §2306.072 and §2306.0724 requires the Department to provide property and occupant profiles for multifamily properties with 20 or more units receiving assistance from TDHCA. This report compiled annually includes the contact information for each property, the total number of units, the number of accessible units, the rents for units by type, the racial composition for the property, the number of units occupied by individuals receiving supported housing assistance, the number of units occupied delineated by income group, and a statement as to whether a fair housing agency or federal court found fair housing violations at the property. TDHCA is notified of Fair Housing violations that have been filed with the Texas Workforce Commission, HUD, and the U.S. Department of Justice through its Previous Participation reviews, required reporting by monitored properties, and through the Texas Workforce Commission.

³ American Rescue Plan

⁴ Community Development Block Grant - Covid

- **5 year Consolidated Plan**

- The State of Texas Consolidated Plan (Plan) covers five programs funded by HUD. TDHCA administers HOME, ESG, and NHTF; Texas Department of Agriculture (TDA) administers CDBG; and Department of State Health Services (DSHS) administers HOPWA⁵. TDHCA is the lead agency and coordinates the preparation of the Plan with TDA and DSHS along with extensive input from other state agencies, stakeholders, advocates, and community members.
- The Plan consists of five main chapters. The first chapter is the Process Chapter, which describes the public input process. The second chapter is the Needs Assessment, which outlines levels of relative need in the areas of affordable housing, homelessness, special needs, and community development. This information was gathered through consultation with local agencies, public outreach, and demographic and economic datasets. The third chapter, Market Analysis, focuses on economic forces within Texas, as well as the current condition and availability of housing and community development resources in Texas. The Needs Assessment and Market Analysis are research-heavy chapters, which form the basis of the fourth chapter: the Strategic Plan. The Strategic Plan details how the State will address its priority needs over a five-year period. The strategies must reflect the current condition of the market, expected availability of funds, and local capacity to administer the Plan. Finally, the Consolidated Plan is used as a basis for the fifth chapter: the One-Year Action Plan which will be updated once yearly for the next four years until the next Consolidated Plan is required, in 2030.

- **One Year Action Plan**

- TDHCA along with the Texas Department of Agriculture (TDA) and Texas Department of State Health Services (DSHS) prepares the State of Texas Consolidated Plan: One-Year Action Plan (Plan) in accordance with 24 CFR §91.320. TDHCA coordinates the preparation of the State of Texas Consolidated Plan documents. The Plan reflects the intended uses of funds received by the State of Texas from HUD for the Program Year. The Program Year begins on September 1, and ends on August 31. The Plan also illustrates the State's strategies in addressing the priority needs and specific goals and objectives identified in the associated State of Texas Consolidated Plan for that year.

- **Consolidated Annual Performance Evaluation Report (CAPER)**

- The Report gives the public an opportunity to evaluate the performance of the past program year for five HUD programs: the Community Development Block Grant Program (CDBG) administered by the Texas Department of Agriculture

⁵ Housing Opportunity for Person With AIDS

(TDA), the Housing Opportunities for Persons with AIDS Program (HOPWA) administered by the Texas Department of State Health Services (DSHS), and the Emergency Solutions Grants (ESG), HOME Investment Partnerships, and National Housing Trust Fund programs, administered by TDHCA. The following information is provided for each of the programs covered in the Report: a summary of program resources and programmatic accomplishments; a series of narrative statements on program performance over the past year; a qualitative analysis of program actions and experiences; and a discussion of program successes in meeting program goals and objectives.

- In addition, the report provides a summary and analysis of four HUD funded programs created in response to and to recover from the COVID-19 Pandemic. These programs are CDBG-CV, ESG-CV, and HOME-ARP administered by TDHCA and HOPWA-CV administered by DSHS.
- **State Low Income Housing Plan and Annual Report**
 - Per Tex Gov't Code §2306.072 the Department is required to prepare and submit to the Board not later than March 18 of each year an annual report of the Department's housing activities for the preceding year. This State of Texas Low Income Housing Plan and Annual Report (SLIHP) must be submitted annually to the Governor, Lieutenant Governor, Speaker of the House, and legislative oversight committee members not later than 30 days after the Board receives and approves the final SLIHP. The document offers a comprehensive reference on statewide housing needs, housing resources, and strategies for funding allocations. It reviews TDHCA's housing programs, current and future policies, resource allocation plans to meet state housing needs, and reports on performance during the preceding state fiscal year (September 1, through August 31).
- **Rider 5 to the TDHCA Appropriations Act**
 - To the extent allowed by state and federal program guidelines the Department shall adopt an annual goal to apply no less than \$30,000,000 of the funds available from the Housing Trust Fund, HOME Program, Section 8 Program, and Housing Tax-Credit Program and any other state or federal housing programs total housing funds toward housing assistance for individuals and families earning less than 30 percent of the Area Median Family Income (AMFI). No less than 20 percent of the funds available from the Housing Trust Fund, HOME Program, Section 8 Program, and Housing Tax-Credit Program and any other state or federal housing programs shall be spent for individuals and families earning between 31 percent and 60 percent of the area median family income. To the extent allowed by state and federal program guidelines in those counties where the area median family income is lower than the state average median family income, the Department shall use the average state median income in

interpreting this rider. The Department shall provide an annual report to the Legislative Budget Board documenting its expenditures in each income category.

In reviewing these reports, we noted that in the case of Customer Service Report (CSR), under Performance Measure section of the report, that some of the targeted numbers, such as "Number of Technical Assistance Request Completed", had remained the same since 2019. HRC Director stated that the target numbers have increased for this year.

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
26-002-06	OIA recommends that the management review and revise target numbers every year to keep up with the increase in population and applicants, and to ensure more accurate forecasting for the division and its potential staffing needs.	Biannual	HRC Director

Management Response

Staff is unable to adjust these numbers on an annual basis for Performance Measure purposes. Performance Measure targets, established in coordination with the Legislative Budget Board, are updated biannually in line with the request from the LBB and the State Strategic Plan developed by DPPA. As noted HRC staff did increase the performance measure target of TA requests completed for the current Biennium and will continue to evaluate those numbers based on historical data when requested by DPPA.

Training and Technical Assistance

The Housing Resource Center provides educational materials and technical assistance to the public, community-based housing development organizations, nonprofit housing developers, and other state and federal agencies. This assistance helps providers determine local housing needs, access appropriate housing programs, and identify available funding sources needed to increase the stock of affordable housing.

Coordination and posting of Board and Committee Books and agendas SOP1100-17

Texas Government Code, Chapter 551 (Open Meetings), Chapter 2001 (Administrative Procedure) and Chapter 2002 (Texas Register and Administrative Code) provide the necessary requirements and procedures in order to provide notice to the public of certain meetings and other administrative matters related to Department operations.

Two HRC Division staff operate in the role of the Board Book Business (BBB). BBB is responsible for collecting the Board, and Committees, Agenda Items via **Legistar** from Directors and Managers and their designated staff; disseminating draft Agendas to an agencywide email group representing all persons involved in Board Book production, Board Material Notifications Group (BMNG); ensuring the final completion and timely preparation of the Board Book; disseminating the final Board Book to all applicable parties; and for keeping a master copy of the Final Board Book for the Department's official permanent records. BBB compiles the Final Agendas and Books.

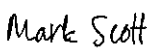
Legistar: A management tool and software for board agenda and board book compilation, and the means utilized for web posting those items. Required to be used by all staff with a Board item.

As required by **Tex. Gov't Code §2306.032(c)**, Board materials are generally posted one week before a posted Board Meeting but not later than the third day before the date of the meeting. BBB is responsible for posting the Final Board Book on the Internet.

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

We extend our appreciation to Housing Resource Center Division and its staff for their cooperation and assistance during course of this audit.

Sincerely,

DocuSigned by:

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

MS/NS