August 23, 2023

Writer's direct phone # 512.475.3813
Email: mark.scott@tdhca.state.tx.us

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 # 23-006

Dear Board Members,

The TDHCA Fiscal Year 2023 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, 2022. 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 October 2022:**
    1. Internal Audit of the Multi-family Direct Loan Program, Report # 21-004

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

B. **Internal Audits reports issued between January and December of 2022:**
    1. Internal Audit of the Housing Resource Center Division, Report # 21-005
    2. Internal Audit of the Information Technology General Controls at TDHCA, Report # 22-001
    3. Internal Audit of the Previous Participation Review (PPR) function at TDHCA, Report # 22-002
    4. Internal Audit of the Texas Homeownership Program, Report # 22-003
    5. Follow up Internal Audit of the Physical Inspection section of the Compliance Monitoring division, Report # 22-004
    6. Internal audit of the Information Technology Application Controls at TDHCA, Report # 22-005
    7. Follow up Internal Audit of the Migrant Labor Housing Facilities Inspection Processes, Report # 22-006

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 # 23-555

The SAO conducts the Financial Statement part of the Statewide audit. Their report for Fiscal Year 2021 included a finding. They identified payments that were made through the Texas Rent Relief (TRR) program that should have been classified as vender payments rather than sub-recipient payments. During the recent Annual Financial Statement Audit (report # 23-555) SAO identified this findings as "Not Implemented".

The Department acknowledged this finding and further reviewed its process and revised procedures to enhance the compilation and review of the SEFA.

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
      Elizabeth Yevich, Director of Housing Resource Center
      Joe Guevara, Interim Director of Administration
      Cody Campbell, Director of Multifamily Finance
      Larry Mercadel, Director of Information Systems
      Wendy Quackenbush, Director of Multifamily Compliance
      Lisa Johnson, Director of Texas Home Ownership Program

<u>**Appendix A**</u>

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

1. <u>Audit Report # 21-004</u>
Internal Audit of the Multi-family Direct Loan Program

OIA Findings and Recommendations:
I. Internal Audit recommends that a change management tracking system be implemented in administering the loan closing process to track and maintain information on the type of changes coming through the various touchpoints within TDHCA for the MFDL process. By consistently tracking this information on each loan closing, trends and observations could be made to support program improvements.
II. Construction draw tools, spreadsheets and guidance should be reviewed to determine if they could be simplified. Standards for determining when a certain number of draws may be appropriate could be instructional in working to decrease the amount of documentation review and processing time required.

Management's response and reported status:
I. *Program management does not have any additional updates since October 2022.*
II. Program management has assigned an additional staff member to work on draws. This new person has significantly reduced the workload on the existing draw staff, which has resulted in draws being processed faster and with fewer delays. Program management continues to work to make the draw process as efficient as possible.

Findings closed

Appendix B

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

1) Audit Report # 21-005
Internal Audit of the Housing Resource Center Division, Report issued November 2021

OIA Findings and Recommendations:
  i. The HRC and TRR Program should complete their coordination of policies and procedures in order to comply with Texas Administrative Code and TDHCA SOP 1270.05 (Customer Complaints).
  ii. OIA recommends that the process of transferring calls from the TDHCA HRC phone line to the TRR Program be enhanced to automatically send TRR related calls directly to the TRR Call Center for customer service resolution
  iii. OIA recommends that Tenant and Landlord Certification Forms posted to the TRR website be updated to indicate contact information for the TRR Call Center rather than TDHCA's general contact information (both phone and email). Additional messaging and prompts defined and implemented on the TDHCA website would also assist in guiding customers to the TRR Call Center directly.

Management's response and reported status:
  I. *TRR staff has developed a new complaint system that is designed to be compliant with the requirements established in the Texas Administrative Code and that will operate separately from the Public Complaint Tracking System managed by HRC. Staff expects that use of this system will improve the capacity of HRC and TRR to fulfill their respective responsibilities as they relate to complaints, as this form eliminates the need to coordinate via email between HRC and TRR and will provide TRR applicants a better avenue to submit a complaint with more specific details needed for staff to investigate the complaint. Department leadership has approved the use of this alternate system and approved TRR to manage program complaints outside of the process established in TDHCA SOP 1270.05 (Customer Complaints), knowing that it meets the requirements laid out in 10 TAC*
  II. *TRR management will work with the Director of External Affairs who oversees TDHCA's phone line 'tree' and Staff Services who will place the necessary work orders with Texas Department of Information Resources (DIR) to include a new call line in the call tree that states "Texas Rent Relief". A new TRR line would then automatically direct TRR related callers to the TRR Call Center as recommended. HRC can work to assist this effort as needed. Note: there is already a call line on TDHCA's call tree that says "Emergency Rental Assistance". HRC staff respond to this line. This line will remain in use for incoming callers who are seeking rental and/or emergency assistance resources that may be available through TDHCA's non-TRR assistance programs*
  III. *The vast majority of applicants complete the certification online as part of their application in the application system. Contact information for the TRR Call Center is featured prominently on the TRR website and in most documents and public-facing communications prepared by TRR program staff.*

TRR management will update the forms on the website with the appropriate contact information for the TRR Call Center

Findings closed

2)   Audit Report # 22-001
Internal Audit of the Information Technology General Controls at TDHCA. Report issued on March 2, 2022

OIA Finding and Recommendation:
I.   The DIR Telecommunications room housing the networking equipment that provides Internet access to TDHCA/MH and other agencies should be protected from unauthorized physical access
II.   OIA noted that required monitoring of the DCs was not completed over the audit period. Surveillance cameras have not been functional for over a year; the authorized access list to these restricted spaces and resulting activity logs of physical access were not reviewed periodically.
III.   Penetration testing by DIR should be scheduled in the near future to provide assurance that current cybersecurity related defenses in place are adequate
IV.   Complete user access reviews, including privileged logical access such as administrator and/or physical access to network equipment and critical business application reviews, should be conducted periodically; at least annually
V.   Governance processes such as status and prioritization meetings for the IS Steering Committee and management, as well as policies including those on requesting IS services, should be reviewed and updated for current needs; then adhered to and monitored by management
VI.   OIA recommends that the business users and ISD work together to create a technology "road map" to drive continuous improvement to the IT environment
VII.   OIA recommends that performance measures for IT activities be defined and reported more widely on a periodic basis, for example to the Executive Team, directors, and the Board
VIII.   OIA recommends that the structure and management of Help Desk functions be reviewed, documented in SOPs and managed to standards. SOPs should strengthen communication and ensure backup of critical functions
IX.   OIA recommends that System Access Request forms be in place for all changes requested to critical systems access. Forms should be updated to bring simplicity to managing the process for both business users and ISD personnel. ISD should consider a technological solution to tracking these requests to completion
X.   To ensure accuracy of capital asset records, OIA recommends that the business users of the process (Staff Services, ISD, and Financial Administration) determine requirements and implement changes to tracking systems as necessary
XI.   Physical access to TDHCA/MH facilities should be protected by providing changes including new and terminated employees to DPS on a timely basis with appropriate documentation retained

XII.   OIA recommends that changes to network software be monitored by management with evidence of periodic review, to manage the impact to the overall environment. Any known user impacts should be communicated at a minimum to the Help Desk to prepare for user questions

XIII.   OIA recommends that critical information resources updates such as security certificates are managed using a planning tool to ensure availability of those information resources

XIV.   OIA recommends that data updates are verified by the business user in production with approval evidenced via email in the Track-it system

XV.   OIA recommends that the change management process be enhanced by clarifying roles and responsibilities of the ISD and business users in completing program changes

XVI.   OIA recommends that requests for IS Services are originated by a manager, Director or other appropriate designee to reduce unnecessary IT involvement for business procedural or training issues

XVII.   OIA recommends that ISD create a process by which unnecessary code can be removed from the user acceptance environment so that it is not inadvertently moved to Production

XVIII.   The Director of Information Systems, Information security officer and agency staff responsibilities require fulfillment per Texas Administrative Code 1 TAC 10 Section 202. In order to function as mandated by TAC, ownership of information and systems by the business user areas is essential. Training for the business users will be required to complete risk assessments and implement appropriate security related controls

XIX.   Required reporting to DIR should be completed timely with appropriate documentation maintained to support the information contained in the reports.

XX.   ISD should inventory all vendors to determine what monitoring and security agreements are required then obtain the necessary documentation. If SOC reports are used, verification of the independent accounting firm's certification and TDHCA complementing controls should be completed

XXI.   OIA recommends that all IT related SOPs be reviewed, updated and signed by management for consistency and efficiency of IT operations

Management's response and reported status:

I.   *This network room is outside of TDHCA's control. This room is under DIR's and TFC's responsibility. This room does not contain any TDHCA owned network or server equipment. TDHCA ISD has had several communications with the DIR team and the room has not been secured at this time due to cooling concerns. The room has a portable AC unit in the room to cool the networking equipment and the vent is routed to the basement area through the open door. No timetable has been provided to TDHCA.*

II.   *TDHCA ISD completed an Active Directory user review on 2/3/2022 in response to this audit. TDHCA ISD has also reviewed all Level 1 SOPs and associated processes during FY23. All SOP's have been routed to management for approval. As part of this interal review of SOP's, processes, and procedures, TDHCA ISD has completed a user access review, and has reworked account audit procedures into a two-step process. ""Step 1"" was to create scripts to produce a machine generated list of all active and disabled user accounts and groups. The ISD team reviews the information and groups the users based on the division*

they are associated with and provides the Division management an Excel spreadsheet for the review, validation of accounts and access, sign off, and date. Step 2; The Division Directors' are to review their division groups as validated. Submit documents back to IT for any modifications or changes as needed. Provide sign off after changes if necessary. Then validate with Division management for approval and then stored. TFC completed a project and the security camera outside the server room is active and being monitored. TDHCA ISD is working to activate the cameras located in the agency server room.

III. The DIR STS team completed a penetration test on 6/15/2022 in response to this finding. TDHCA ISD has reviewed all Level 1 SOPs, made the appropriate updates, and have routed them for executive approval. TDHCA ISD has created the necessary procedures and documentation to track SOP's, when they are updated, and schedule future updates.

IV. TDHCA ISD completed an Active Directory user review on 2/3/2022 in response to this audit. TDHCA ISD has implemented a Change Advisory Board (CAB) for all network related changes. The CAB meets every Monday and provides a chance for all ISD team members to attend the meeting and review all proposed changes. In the event of an emergency request then the change will be reviewed by the ISD Director, ISO, Software Development Manager and/or the Network and Technical Support Manager. An emergency request must be approved by 2 of the 4 ISD management positions.

V. This policy has been reviewed and signed by Executive management.

VI. This process is currently in the works as part of the steering committee. A list of projects have been gathered by ISD and the next step is to gather Business division information to consolidate to a portfolio to be discussed and prioritized at the steering committee. This has been in the works slowly as a CAB for change management, policy rewrites, and user access reviews, audits, and a list of other projects have taken priority.

VII. This is currently in process as part of the steering committee. A list of projects have been gathered by ISD and the next step is to gather Business division information to consolidate to a portfolio to be discussed and prioritized at the steering committee. This has been in the works slowly as a CAB for change management, policy rewrites, and user access reviews, audits, and a list of other projects have taken priority.

VIII. To further comply with this finding, ISD is putting together a Duty Assignment list for each position to create primary and backup personnel. This is a constantly changing process but one that is necessary due to the size to the team.

IX. This is currently in process as part of the policy update and review. Once the policies have been approved and signed, the ISO will place training dates for each policy to keep the agency aware of the policy changes and updates. TDHCA ISD will also utilize features in KnowBe4 to distribute SOP's where appropriate and have training associated with the SOP's to reinforce the overall message. This will help insure the staff understands there is a process for each policy to adhere to for transparency.

X. ISD has been working with Staff Services on inventory accuracy and has reviewed the policy and procedures and making necessary adjustments to facilitate a smoother transition of inventory. TDHCA ISD has successfully implemented the CPA CAPPS Statewide system Travel and Expense module into TDHCA's CAPPS PeopleSoft environment. The ISD team will be working on a PeopleTools and Image upgrade for CAPPS PeopleSoft. Also, in

our plans after the above items have been completed, the implementation of the CPA CAPPS Statewide system Assets module. The Assets module will provide the agency with a state supported tool for tracking capitalized inventory.

XI. *ISD has coordinated with HR and Staff Services on process for onboarding and off boarding individuals.*

XII. *TDHCA ISD has implemented a Change Advisory Board (CAB) for all network related changes. The CAB meets every Monday and provides a chance for all ISD team members to attend the meeting and review all proposed changes. In the event of an emergency request then the change will be reviewed by the ISD Director, ISO, Software Development Manager and/or the Network and Technical Support Manager. An emergency request must be approved by one of the 4 ISD management positions.*

XIII. *TDHCA ISD has implemented a Change Advisory Board (CAB) for all network related changes. The CAB meets every Monday and provides a chance for all ISD team members to attend the meeting and review all proposed changes. In the event of an emergency request then the change will be reviewed by the ISD Director, ISO, Software Development Manager and/or the Network and Technical Support Manager. An emergency request must be approved by one of the 4 ISD management positions. TDHCA ISD also implemented Jira to replace Track-It. Between Jira and the CAB process we are able to better track these events."*

XIV. *TDHCA has made the appropriate changes to the change management process. TDHCA ISD has also replaced Track-It with Jira which has improved tracking and approval processes. TDHCA has also received approval in FY24-25 of the Java Infrastructure capital budget project. One of the goals of this project is to upgrade the technology and tools that the software development team use for the development and administration of our custom Java environment. With the introduction of the new and upgraded tools and technology ISD will be able to further strengthen the change management process.*

XV. *Business Users will be incorporated through the Steering Committee unless otherwise noted in a change. The approval process through the steering committee will elevate the changes that need to be made at that time the information will be passed to the CAB for processing. If a business user is needing to be available ISSC will make the decision to include them in the meeting.*

XVI. *After review, although a change may be initiated by a user, a significant change to any production system requires management approval. Furthermore, the approval process is currently in process as part of the steering committee. A list of projects have been gathered by ISD and the next step is to gather Business division information to consolidate to a portfolio to be discussed and prioritized at the steering committee. This has been in the works slowly as a CAB for change management, policy rewrites, and user access reviews, audits, and a list of other projects have taken priority.*

XVII. *THDCA ISD management, as indicated previously, has reviewed change management processes and procedures to ensure this does not happen in the future. At this time, TDHCA also has an approved capital budget project (Java Infrastructure project) in FY24-25 to make improvements to TDHCA's Java environment. These improvements will include an upgrade to the Java version, new tools and components of the Java development*

environment for ISSW staff, as well as improving efficiency, technology, and security. These tools will introduce technology controls as well to also prevent this type of mistake in the future.

XVIII.   *TDHCA ISD has reviewed all Level 1 SOPs and associated processes during FY23. All SOP's have been routed to management for approval. As part of this internal review of SOP's, processes, and procedures, TDHCA ISD is working on completing the scripts to produce reports for the necessary ownership of information and systems by business user areas and subsequent review. TDHCA ISD is also has completed a user access review, and has reworked account audit procedures into a two-step process.*

XIX.   *TDHCA is up to date on DIR reporting requirements.*

XX.   *TDHCA ISD currently uses a tracking spreadsheet to track all vendors and the associated software, hardware, services, or maintenance. As part of a declaration from the Governor, the agency created SOP 1264.07 v1.1 Prohibited Technologies Security Policy to ensure the agency is in compliance with state requirements. TDHCA ISD, Legal, and Executive management reviewed and approved a new version of the ISPA and uses that agreement as part of the contract during Information Technology procurement process. The ISPA ensures that our vendors also must observe the same cybersecurity requirements that apply to state of Texas agencies. TDHCA utilizes DIR approved vendors to meet the IT needs of the agency. These vendors are vetted and approved by DIR.*

XXI.   *TDHCA ISD has reviewed all Level 1 SOPs and associated processes during FY23. All SOP's have been routed to management for approval. As part of this internal review of SOP's, processes, and procedures, TDHCA ISD is working on completing the scripts to produce reports for the necessary ownership of information and systems by business user areas and subsequent review. TDHCA ISD is also has completed a user access review, and has reworked account audit procedures into a two-step process.*

Recommendations implemented and Findings closed

3)   Audit Report # 22-002
Internal Audit of the Previous Participation Review (PPR) function at TDHCA, Report issued on March 3, 2022

No Findings / Recommendations

4)   Audit Report # 22-003
Internal Audit of the Texas Homeownership Program, Report issued June 6, 2022

OIA Findings and Recommendations:

I.   OIA recommends that segregation of duties between authorization, asset custody, recordkeeping, and reconciliation be maintained to ensure the Program meets its stated goals and objectives.   Should these duties be combined in the future, additional compensating controls may be necessary to avoid undue risk to TDHCA.

II.   OIA recommends that the TSHEP educational program be reviewed to determine strategy for implementation as in-person activities have resumed

III.   OIA recommends that the Program staff continue with its efforts to manage the tracking of the lender approval documents along with retention of the underlying files

IV.   OIA recommends increased frequency of monitoring of reservations as they reach the amount determined by Bond Finance, coordinated with Texas Homeownership Program management. In addition, targeted area allocations should be reviewed consistent to the monitoring of loan reservations, at the same frequency

V.   Exceptions to stated policy and contract obligations should be tracked and analyzed to determine the number of exceptions and their impact so that appropriate changes may be made where necessary

VI.   OIA recommends that management determine if the benefits of maintaining detailed records for loans on both the IHFA and TDHCA systems outweighs the costs of doing so. If not, then current resourcing could be allocated to more necessary tasks

VII.   Due to the manual nature of the process, OIA recommends that the Division implement a secondary review of the MCCs prior to mailing

VIII.   OIA recommends that the Procurement Division continue its efforts to improve the RFP process including monitoring of contract expiration dates, timing of RFPs, and training evaluators about their responsibilities within the process. Technological solutions should be considered

IX.   Vendor management monitoring should be strengthened with a risk-based assessment of each contract and management decision on how the contract is monitored; then implemented as deemed necessary

X.   OIA recommends that the Texas Homeownership Program staff establish written SOPs for appropriate processes, signed and dated by management, for consistency and efficiency of the operation

Management's response and reported status:

I.   *Since June Audit Report, the Program Administrator has changed. eHousingPlus (eHP/HDS) is no longer the Program Administrator effective 07/21/2023. Director of Bond Finance managed the Program Administrator RFP (Request For Proposal)*

II.   *IOA just completed a review for TSHEP and Homebuyer U that will be presented at the September 7th, 2023 Board Meeting. In the report a separate set of recommendations are outlined for TX Homeownership to implement.*

III.   *SOPs completed*

IV.   *Completed*

V.   *Tracking mechanism has been implemented and followed.*

VI.   *Completed*

VII.   *Hilltop Securitas, Program Administrator, has taken over MCC issuance as part of their new contract. TX Homeownership will begin the annual process of updating currently approved Standard Operating Procedures once the Program Administrator transition is*

complete. TX Homeownership intends to schedule audit visits to review random selection of loan compliance files as a quality assurance practice.

VIII. *Completed*
 IX. *Completed*
  X. *TX Homeownership will begin the annual process of updating currently approved Standard Operating Procedures once the Program Administrator transition is complete.*

Recommendations implemented and Findings closed

5)   Audit Report # 22-004
Follow up Internal Audit of the Physical Inspection section of the Compliance Monitoring division, Report issued June 7, 2022

OIA Findings and Recommendations:
 I. OIA recommends that the Physical Inspections section revise and update all the current SOPs to reflect current information and to create consistency and efficiency for all parties involved
 II. OIA recommends that the Physical Inspections section create a formal contract with OSI that would
 a. Outline the roles and responsibilities of each party in avoiding any apparent or possible conflict of interest between OSI inspectors and TDHCA properties that they're assigned to inspect
 b. Ensure consistency in the performance of the inspections, as well as compliance with all applicable standards
 III. OIA recommends that the Physical Inspections section management establish and document a training program and training modules focused on requirements of each funding program in order to create consistency and reliability in the inspections that are being performed by the staff

Management's response and reported status:
 I. *Physical Inspections initially started updating Standard Operating Procedures (SOPs) but temporarily suspended the activity due to an upcoming change in the inspection protocol. The current protocol, The Uniform Physical Conditions Standards (UPCS) is being sunset on September 30, 2023. The new inspection protocol, The National Standards for the Physical Inspection of Real Estate (NSPIRE) becomes effective on October 1, 2023. Under the new inspection protocol, several processes will be changing that will affect the revisions of the SOPs. To prepare for this new inspection protocol, the Physical Inspection Section has moved up all inspections from October 2023 through January 2024 to be completed by August 31, 2023. This will allow time for internal and external training on the new NSPIRE standards. The SOPs will be updated with the under the new inspection protocol by January 31, 2024*
 II. *The Compliance Division obtained additional clarification from Financial Service on the Request for Proposal (RFP). TDHCA publishes an RFP one year and when awarded we have*

the option to renew for three additional years off that original RFP. There has not been a new RFP each year as initially indicated in the audit report. The contract with OSI consists of a combination of the original RFP, the bid document by OSI, and the award letter. There is not a separate contract. At this point in time, we cannot amend either the RFP or any of the bid documents. A new RFP will be resolicited in September of 2024 and all recommendations made by Internal Audit will be incorporated at that time

III. *Management has continued to ensure consistency of work among the inspectors by implementing mandatory training and meetings. Physical Inspection staff meets regularly on Monday mornings to review and discuss the various program rules, regulations, accessibility and standard operating procedures. Management continues to provide clear guidance and additional trainings. Part of the Monday's staff meetings agenda often includes animated videos and pictures for visual learning and to deep dive into issues that inspectors face in the field. To prepare all inspectors for the new NSPIRE inspection protocol, in person training was provided by a third party and all inspectors attended on July 11, 2023. Additional NSPIRE in person training and mock inspection is scheduled from August 9th and 10th with the US Inspection Group.*

Recommendations implemented and Findings closed

6) Audit Report # 22-005

Internal Audit of the Information Technology Application Controls at TDHCA, Report issued August 24, 2022

OIA Findings and Recommendations:

I. OIA recommends a review of critical systems internal security be coordinated by the ISD and completed by the business users twice a year due to increased job transfer and hiring activity

II. OIA recommends that the business user community focus on proactively identifying system-run verifications when planning future changes to critical business systems, with assistance from the ISD

III. OIA recommends that TDHCA upgrade its Central Database Suite programming language to a more secure, modern version of Java

IV. OIA recommends additional compensating controls be implemented to monitor ISD's direct access to production files

V. OIA recommends that management evaluate all end user applications and their criticality for inclusion into the controlled ISD environment. Management could consider alternatives to Microsoft Access to allow end users to retain data reporting capabilities

VI. Current functionality in disparate Programs should be studied to determine if processes and/or program code could be shared across systems to allow for the critical business process

VII. Because of the high use of end user applications and most security to those applications is maintained via network access, OIA recommends a review of network access security by business users twice a year

Management's response and reported status:

I. TDHCA ISD completed a user access review as part of a two-step process. 1. step is to run scripts of enabled and disabled users. The ISD team reviews the information and groups the users based on the division they are associated with and provides the Division Directors an excel spreadsheet they can review and sign off as validated. 2. The Division Directors' are to review their division groups as validated. Sign and submit back to IT for any modifications or changes needed. Then validate with Division Directors as modified for approval and then stored.

II. Business Users will incorporate through the Steering Committee unless otherwise noted in a change. Through the ISSC approval process, changes will be elevated that need to be made and a work order created and approved by the CAB for processing. If a business user is needing to be available ISSC will make the decision to include them in the meeting for analysis and approval.

III. TDHCA has an approved capital budget project (Java Infrastructure project) in FY24-25 to make improvements to TDHCA's Java environment. These improvements will include an upgrade to the Java version, new tools and components of the Java development environment for ISSW staff, as well as improving efficiency, technology, and security.

IV. Business Users will incorporate through the Steering Committee unless otherwise noted in a change. Through the ISSC approval process, changes will be elevated that need to be made and a work order created and approved by the CAB for processing. If a business user is needing to be available ISSC will make the decision to include them in the meeting for analysis and approval.

V. The Director of Real Estate Analysis, Asset Management and Finance are responsible for the resolution of this finding. TDHCA has an approved capital budget project (The Multifamily System capital project) in FY24-25 biennium to develop a system for Real Estate Analysis, Asset Management, and Multifamily Finance to improve workflow, efficiency, and automate manual processes. The agency has hired a Project Manager through the DIR Information Technology Staff Augmentation Contracts (ITSAC) program.

VI. The Director of Real Estate Analysis, Asset Management and Finance are responsible for the resolution of this finding. TDHCA has an approved capital budget project (The Multifamily System capital project) in FY24-25 biennium to develop a system for Real Estate Analysis, Asset Management, and Multifamily Finance to improve workflow, efficiency, and automate manual processes. The agency has hired a Project Manager through the DIR Information Technology Staff Augmentation Contracts (ITSAC) program.

VII. TDHCA ISD completed a user access review as part of a two-step process. 1. step is to run scripts of enabled and disabled users. The ISD team reviews the information and groups the users based on the division they are associated with and provides the Division Directors an excel spreadsheet they can review and sign off as validated. 2. The Division Directors' are to review their division groups as validated. Sign and submit back to IT for any modifications or changes needed. Then validate with Division Directors as modified for approval and then stored."

Recommendations implemented and Findings closed

7)   Audit Report # 22-006

Internal Audit of the Migrant Labor Housing Facilities Inspection processes, Report issued August 22, 2022

OIA Findings and Recommendations:

I.   OIA recommends that TDHCA management establish a program specific SOP for administration of the inspections and licensing of the Migrant Labor housing facilities to create consistency and efficiency in the process

II.   OIA recommends that management re-visit and re- evaluate its reliance on TWC inspections for MLHF licenses, or consider a quality assurance process when relying on TWC inspections

III.   OIA recommends that the inspectors complete the inspection report prior to obtaining the facility representatives' signature, and not to give verbal decisions regarding the inspection result until the report is completed

IV.   OIA recommends that management consider outsourcing the inspections of MLHFs to an outside vendor, similar to Physical Inspection section

Management's response and reported status:

I.   Program specific SOPs have been created

II.   A new SOP risk assessment created related to virtual inspections conducted by TWC

III.   A new and revised check-list for inspections has been created. Management will coordinate with Manufacturing Housing Division and set up virtual training with all inspectors in the next 90-days.

IV.   TDHCA currently has an agreement with MHD to inspect Migrant Labor Housing Facilities since they have experienced inspectors and remote offices throughout Texas. Due to limited funds, TDHCA does not have the financial resources or FTE's to inspect these facilities. The Compliance Program Administrator will providing a virtual training to all MHD inspectors in the next 90-days.

Findings closed