



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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Texas Department of Housing and Community Affairs Office of Internal Audit Audit Plan for Fiscal Year 2023

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 2023 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 2023 Annual Audit Plan

We have identified the following projects for inclusion in the 2023 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:

The first four audit areas on the plan received new or additional funding from pandemic related funding sources. They rated high on the list because of large dollar amounts and / or the newness of the programs and processes, in addition to their fraud risk. They also include several new management and staff, or transfer of existing TDHCA staff to new positions.

1. Homeowner Assistance Fund (HAF)

Texas Homeowner Assistance provides financial assistance to qualified Texas homeowners who have fallen behind on their mortgage, utility payments, and related expenses due to the COVID-19 pandemic. This program gives eligible homeowners grants to cover past due mortgage payments, up to three (3) months of future mortgage payments, property taxes, insurance, homeowner/condo association fees, past due utility payments, and up to three (3) months of prospective utility payments, and is funded through American Rescue Plan Act of 2021.

2. HOME Tenant Based Rental Assistance Funds

The Tenant Based Rental Assistance (TBRA) program funds local organizations that provide rental subsidies, utility assistance, and security deposit assistance to individuals in their local communities. TDHCA is making up to \$11.3 million in TBRA COVID-19 funds available to TBRA administrators, who will then distribute the aid to qualifying Texans. TDHCA funds units of general local governments, public

housing authorities, local mental health authorities, and nonprofits that in turn assist individuals in their communities.

3. HOME Disaster Relief Funds

The Texas HOME Disaster Relief Program is a long-term housing program designed to help eligible organizations serve income eligible households impacted by disasters. HOME Disaster Relief funds are available to assist with federal or state declared disasters, or other natural or man-made disasters that may occur. These funds can be accessed to support impacted households not located in communities that receive HOME funds directly from the U.S. Department of Housing and Urban Development (HUD)

4. Community Development Block Grant (CDBG) / CDBG CARE

The Community Development Block Grant CARES Act (CDBG-CV) program is designed to help Texans respond to and recover from the impacts of COVID-19. The Governor of the State of Texas has designated the TDHCA as the administrator of this program. The U.S Department of Housing and Urban Development (HUD) has awarded TDHCA a total of \$141,846,258 in CDBG-CV funds.

5. Texas Bootstrap Loan Program

Texas Bootstrap Loan Program is an Owner-Builder Program that is administered by TDHCA. It is a self-help housing construction program that assists very low-income households to purchase or refinance real property on which to build or repair housing by contributing the labor themselves. This program rated high on the risk assessment and was selected to audit due to lack of any prior audits, and its importance in helping very low income individuals during the current economic environment.

6. Staff Services

Staff Services section of Administration provides management of requirements related to TDHCA and MH employees and facilities, such as; Asset inventory for both technology and facility components, Facility management, and Records management and retention as well as mail operations. This function rated high on the annual risk assessment due to lack of any prior audits and the changes that occurred during Covid-19 pandemic, and its possible effects on the areas.

7. Texas Statewide Homebuyer Education Program (TSHEP) and Texas Homebuyer U

Texas Statewide Homebuyer Education Program is a product of the Texas Homebuyer program, which was created to help Texans achieve homeownership. The program offers trained Housing counselors to coach homebuyers through the home buying process, and offer group classes as well as one-on-one assessments.

Texas Homebuyer U is another product of the Texas Homebuyer program. It offers free online educational resources about the home buying process and Mortgage Credit Certificate (MCC) to homebuyers. TDHCA requires Completion of a homebuyer education course to obtain one of its loans or

an MCC. These programs rated high on the risk assessment due to their importance to TDHCA clients, and also recent management changes.

Carry Over Project

Follow up on SAO audit of Manufactured Housing Division

The OIA will perform a follow up of the SAO's findings and recommendation related to Manufactured Housing Division's inspections and licensing.

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 2023, 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,

A handwritten signature in black ink that reads "Mark Scott". The signature is fluid and cursive, with a long horizontal line extending to the right from the end of the name.

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

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