

Texas Department of Housing and Community Affairs



Board Book

Thursday, June 4, 2026

9:30 AM

Dewitt C. Greer State Highway Building
Williamson Board Room
125 E. 11th Street
Austin, TX 78701

Audit & Finance Committee

Ajay Thomas, Chair
Leo Vasquez III, Member
Anna Maria Farias, Member
Cindy Conroy, Member

CALL TO ORDER**ROLL CALL****CERTIFICATION OF QUORUM**

The Audit and Finance Committee of the Governing Board of the Texas Department of Housing and Community Affairs (TDHCA) will meet to consider and may act on any of the following:

ACTION ITEMS:

- | | | |
|----|---|-------------|
| 1. | Presentation, discussion, and possible action to approve Audit and Finance Committee Meeting Minutes Summary for March 6, 2026 | Mark Scott |
| 2. | Presentation, discussion, and possible recommendation for Board approval regarding a Request for Proposal issued by the Texas Department of Housing and Community Affairs for audit services and selection thereof. | Joe Guevara |
| 3. | Presentation, discussion, and possible action on the SFY 2027 Operating Budget | Paul Ford |
| 4. | Presentation, discussion, and possible action on the SFY 2027 Housing Finance Division Budget | Paul Ford |

REPORT ITEMS:

- | | | |
|----|--|------------|
| 5. | Presentation and discussion of Internal Audit Report on the Housing Resource Center Division, Report# 26-002 | Mark Scott |
| 6. | Presentation and discussion of Internal Audit Report on the My First Texas Home program, Report# 26-003 | Mark Scott |
| 7. | Report on the status of Internal and External Audit activities. | Mark Scott |

PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED

EXECUTIVE SESSION

The Committee may go into Executive Session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Tex. Gov't Code, Chapter 551. Pursuant to Tex. Gov't Code, §551.074 the Audit Committee may go into Executive Session for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee.

Pursuant to Tex. Gov't Code, §551.071(1) the Committee may go into executive session to seek the advice of its attorney about pending or contemplated litigation or a settlement offer.

Pursuant to Tex. Gov't Code, §551.071(2) the Committee may go into executive session for the purpose of seeking the advice of its attorney about a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Tex. Gov't Code, Chapter 551.

Pursuant to Tex. Gov't Code, §2306.039(c) the Committee may go into executive session to receive reports from the Department's internal auditor, fraud prevention coordinator, or ethics advisor regarding issues related to fraud, waste, or abuse.

OPEN SESSION

If there is an Executive Session, the Committee will reconvene in Open Session and may take action on any items taken up in Executive Session. Except as specifically authorized by applicable law, the Audit Committee may not take any actions in Executive Session.

ADJOURN

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.texas.gov or contact Michael Lyttle, 512-475-4542, TDHCA, 221 East 11th Street, Austin, Texas 78701, and request the information. If you would like to follow actions taken by the Governing Board during this meeting, please follow TDHCA account (@tdhca) on X (Twitter).

Individuals who require auxiliary aids, services or sign language interpreters for this meeting should contact Nancy Dennis, at 512-475-3959 or Relay Texas at 1-800-735-2989, at least five days before the meeting so that appropriate arrangements can be made. Non-English speaking individuals who require interpreters for this meeting should contact Danielle Leath, 512-475-4606, at least five days before the meeting so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Danielle Leath, al siguiente número 512-475-4606 por lo menos cinco días antes de la junta para hacer los preparativos apropiados.



Texas Department of Housing and Community Affairs

Audit & Finance Committee

Board Action Request

File #: 1467

Agenda Date: 6/4/2026

Agenda #: 1.

Presentation, discussion, and possible action to approve Audit and Finance Committee Meeting Minutes Summary for March 6, 2026

RECOMMENDED ACTION

RESOLVED, the Audit and Finance Committee Meeting Minutes Summary for September 4, 2025, are hereby approved as presented

**MINUTES OF THE AUDIT AND FINANCE COMMITTEE MEETING
OF THE GOVERNING BOARD OF THE
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

On Thursday, March 6, 2026 at 9:30 a.m. the meeting of the Audit and Finance Committee (the "Committee") of the Governing Board (the "Board") of the Texas Department of Housing and Community Affairs ("TDHCA" or the "Department") was held in the Dewitt C. Greer State Highway Building, 125 E. 11th Street, Williamson Board Room, Austin Texas. Mr. Ajay Thomas, the Chair of the Audit and Finance Committee, presided over the meeting, and Mr. Mark Scott, Director of the Internal Audit Division, served as the secretary. Committee members Ms. Cindy Conroy, Ms. Anna Maria Farias, and Mr. Leo Vasquez were present and represented a quorum for the Committee meeting.

Mr. Thomas started the meeting by taking roll and welcoming everyone to the meeting. He then moved to the first action item on the agenda; approval of the minutes from December 11, 2025, meeting of the Audit and Finance Committee. The minutes were adopted as presented and were approved.

The next action item on the agenda was "Presentation, discussion, and possible recommendation for approval of the State Auditor's Office audit of the TDHCA financial statements for FY 2025 to the governing board" and was presented by Mr. Sumners and Mr. Amadou Ngaide from SAO.

Mr. Sumners said that they issued two unmodified opinions as part of their engagement; one on the Department's FY 25 basic Financial Statements, and one on the Department's Financial Statements related to the Revenue Bond program for FY 2025. In both cases they identified that the Financial Statements were materially correct and that they were reported in accordance with the Generally Accepted Accounting Principles, or GAAP. Additionally, it was concluded the Department's Housing Finance Division's computation of unencumbered fund balances complies with Texas Government Code Section 2306.204 and 205. The SAO also issued a report on the Department's compliance with the Public Funds Investment Act for the end of fiscal year ending August 31, 2025. The results of that work disclosed no issues of noncompliance or other matters that were required to be disclosed under Government Auditing Standards.

Prior to fiscal year 2025 Financial Statements audit work, SAO issued an unmodified or clean opinion on the Department's fiscal year 2024 financial data schedule as it relates to the fiscal year 2024 basic Financial Statements. SAO also performed agreed-upon procedures and determined that the electronic submission of certain information to the US Department of Housing and Urban Development's Real Estate Assessment Center agreed with related hard copy documents and HUD accepted the Department's submission in December. At the conclusion of

the presentation Mr. Sumners thanked TDHCA management and staff and offered to answer any questions that the Committee members may have.

Mr. Thomas asked if in their review there was any areas that could potentially benefit from strengthen audit processes. Mr. Sumners said anything that was identified based on their planning and risk assessment process is communicated, and that he cannot think of anything else at this point. With no other comments or questions, Mr. Thomas asked for a motion to approve the recommendation of the State Auditor's Office report to the full board. The motion was made by Ms. Farias and seconded by Ms. Conroy. Motion passed.

The next item on the agenda was the "Presentation and discussion of Internal Audit report of the 10% Test function at Asset Management division (HTC)", and was presented by Mr. Mark Scott, Director of Internal Audit division. Mr. Scott said that The 10% Test (HTC) function was identified during the fiscal year 2026 risk assessment and rated high on the risk assessment matrix due to its importance in ensuring compliance with State and Federal rules governing Multifamily programs. Submission of a 10% Test is required of all awardees of a competitive Housing Tax Credit allocation. All submissions are reviewed by Department staff to verify compliance with applicable rules, including reconciliation of all the information provided in the submission with the corresponding or related information in other documents.

For this audit we reviewed applicable Texas Administrative Codes, applicable US Treasury Regulations, function specific SOP, internal documents such as Post Award Activity manual, and other applicable rules and regulations. We Also conducted interviews with several division staff and performed testing and analysis of the processes involved in receiving and reviewing developments' 10% packets, including requests for extension.

Based on our review and testing the 10% Test function at Asset Management division seems to be operating effectively in reviewing and accepting development packets and requests for extensions. We identified some areas for improvement and made recommendations to management and staff. Management agreed to our recommendation and their responses are included in the report. Mr. Scott then offered to answer questions for the Committee members.

With no questions from the Committee members Mr. Thomas moved to the next report item on the agenda; "Report on the status of the internal and external audit activities" and was presented by Mr. Scott as well. Mr. Scott said that, as was just presented, the SAO completed the audit of the TDHCA financial statements along with the financial statement portion of the statewide audit which included TDHCA. This audit resulted in an unqualified, or "clean" opinion. The federal compliance component of the statewide audit was conducted by CliftonLarsonAllen (CLA). They had findings related to an error in reporting obligated funds under LIHEAP, and a cash management issue related to a required computation of clearance pattern, which is used to

determine potential interest due between state and federal funding sources. They also had a finding related to monitoring in the HOME program. For one of the properties included in the CLA sample, the inspection had not been conducted in the required timeframe. The Comptroller's Office has started an audit of Contracting at TDHCA.

Mr. Scott also stated that the SAO will not be conducting the financial statements audit next year and that TDHCA is in the process of procuring a different audit firm to conduct that audit. The SAO is conducting the efficiency audit of TDHCA that is required by Tex Govt Code 327.002. The Homeowner Assistance Fund (HAF) and the Rental Assistance Program expenditures are still being reviewed by the federal office of Inspector General.

On the internal audit activities Mr. Scott said that on the FY 2026 audit plan, we completed audit of the 10% Test function, and we have started audit of the Housing Resource Center division. At the conclusion of his presentation Mr. Scott introduced the new audit staff, Ms. Eric Haughton and offered to answer questions for the committee members.

Mr. Vasquez asked about the finding related to CLA's audit. Mr. Scott explained how the Clearance Pattern is calculated and supposed to be done, and how it resulted in a finding for the Department. He also clarified the definition of "material finding" in different audit reports based on the criteria for each audit. Mr. David Cervantes, Director of Administration and the CFO for the Department, provided more explanation regarding the Cash Management Improvement Act agreement that's between the Department and the federal government, and assured the committee that the Department has acknowledged the comment and is fully prepared to submit the documentation associated with the calculation, and that there is no reason to be concerned about this item.

The Committee members expressed their appreciation for clean audit reports with no major findings. Mr. Scott said that if we don't have findings in our audits we try to add value by describing what the division or the program is doing well and how it is done. Ms. Conroy added that this is a testament to Bobby's leadership and thank him for his efforts.

With no further questions or comments, Mr. Thomas formally adjourned the meeting at 9:49.



Texas Department of Housing and Community Affairs

Audit & Finance Committee

Board Action Request

File #: 1483

Agenda Date: 6/4/2026

Agenda #: 2.

Presentation, discussion, and possible recommendation for Board approval regarding a Request for Proposal issued by the Texas Department of Housing and Community Affairs for audit services and selection thereof.

RECOMMENDED ACTION

WHEREAS, the Department is required to undergo an annual audit of its books and accounts, an annual audit of the Housing Trust Fund, and to obtain audited financial statements for the Housing Finance Division and the Supplemental Bond Schedules;

WHEREAS, in accordance with Tex. Gov't Code §321.020 (a), the Department obtained approval for delegation of authority from the State Auditor's Office to engage a private auditor;

WHEREAS, in accordance with Tex. Gov't Code §2306.074 and the State of Texas Procurement and Contract Management Guide, the Department issued a Request for Proposal for audit services and has selected a firm; and

WHEREAS, in accordance with Tex. Gov't Code §2261.254, the Department is required to obtain Board approval for any purchase of goods or services that may exceed an aggregate contract value of \$1,000,000;

NOW, therefore, it is hereby

RESOLVED, that the selection of this firm is presented to this meeting, is hereby recommended for approval to the TDHCA Governing Board; and,

FURTHER RESOLVED, that upon approval by the TDHCA Governing Board, the Department is authorized to execute an agreement for audit services with such firm.

BACKGROUND

In accordance with Tex. Gov't Code §2306.074, the Department is required to undergo an annual audit of the Department's books and accounts. In addition, Tex. Gov't Code §2306.204 requires an annual audit of the Housing Trust Fund to determine the amount of unencumbered fund balances that is greater than the amount required for the reserve fund.

At the conclusion of the Fiscal Year 2025 audit, the State Auditor's Office communicated their discontinuation of the financial audit for the Department. In February 2026, the Department received a delegation of authority to employ a private auditor to audit its basic financial statements, Revenue Bond Program financial statements, and the Housing Finance Division's unencumbered fund balance computation.

In March 2026, the Department issued a Request for Proposal for audit services and responses were due on April 7, 2026. A team of five staff evaluated the responses and selected CliftonLarsonAllen LLP. The cost for the first year of the audit will be \$404,000 with an option, at the Department's discretion and the delegation of authority granted by the State Auditor's Office, to renew the contract for three additional one-year periods with each renewal subject to a 4% cost escalation.

Due to their extensive experience, knowledge and resources; staff expects they will continue to sustain the level of service performed by the State Auditor's Office and provide the best value to the Department.



Texas Department of Housing and Community Affairs

Audit & Finance Committee

Board Action Request

File #: 1480

Agenda Date: 6/4/2026

Agenda #: 3.

Presentation, discussion, and possible action on the SFY 2027 Operating Budget

RECOMMENDED ACTION

WHEREAS, the Governing Board of the Texas Department of Housing and Community Affairs (the Department or TDHCA) is required to approve a SFY 2027 Operating Budget; and

WHEREAS, the Department is required to submit the budget to the Office of the Governor (OOG) and the Legislative Budget Board (LBB);

NOW, therefore, it is hereby

RESOLVED, that the SFY 2027 Operating Budget, in the form presented to this meeting, is hereby approved;

FURTHER RESOLVED that upon approval by the TDHCA Governing Board, the Department will submit the budget to the OOG and the LBB.

BACKGROUND

In accordance with Tex. Gov't Code §2306.112 *et seq.*, TDHCA is charged with preparing an operating budget for Board adoption on or before September 1 of each fiscal year. The budget includes operational expenses distributed among the Department's divisions. It does not include federal or state program funds that pass through to subrecipients except for administrative funds used by the Department associated with those federal or state funds that are retained and reflected in the budget. This budget anticipates maximizing all federal administrative resources. In addition, in accordance with internal auditing standards and the Board's internal audit charter, the budget includes the Internal Audit Division's annual operating budget.

This SFY 2027 Internal Operating Budget, which the Board is being asked to approve, corresponds to the second year of the biennial General Appropriations Act (GAA) passed by the 89th Texas Legislature which appropriated \$424,053,047. In total, this budget provides for administrative expenditures and associated revenues of \$46,263,272 or a \$2,231,634 (4.6%) decrease from the prior year's budget. Of the total net decrease, \$1,395,364 is associated with temporary federal funding and a \$2,491,066 decrease for Capital Budget projects, offset by a \$1,654,796 increase associated with the Department's core programs.

The budget reflects 393 Full Time Equivalent (FTEs) of which 64 FTEs are appropriated to the Manufactured Housing Division. The remaining 329 are TDHCA FTEs which are composed of 291 CAP FTEs, and 38 temporarily federally funded FTEs associated with COVID-19 stimulus federal funds.

Additionally, the Housing Finance Division budget, which is funded with fees generated from

the Department's Bond, Housing Tax Credit, and Asset Management, Compliance, and Migrant Labor activities, decreased by \$648,378 or 2.5%. This decrease is primarily attributed to a decrease in the Capital Budget.

For a complete explanation of the aforementioned budget categories and details, please see the accompanying Comparison Report.

TEXAS DEPT. OF HOUSING AND COMMUNITY AFFAIRS
SFY 2027 Operating Budget
Comparison Report
June 4, 2026

This Comparison Report provides an explanation of some of the changes to cost categories which have a variance greater than \$25,000 and 10%.

In total, this SFY 2027 Operating Budget is \$46,263,272 or a \$2,231,634 (4.6%) decrease over the prior year budget.

COVID-19 stimulus federal funding and other initiatives associated with the CARES Act, Emergency Rental Assistance (ERA), the American Rescue Plan Act (ARPA), and the Bipartisan Infrastructure Law (BIL) account for \$1,395,364 of the decrease, and Capital Budget accounts for \$2,491,066 of the decrease. The decrease is offset by a \$1,654,796 or 4.4% increase associated with the Department's core programs.

Please refer to the Comparison by Expense Object schedule on Page 4.

1. **Salaries/Wages and Payroll Related Costs.** These two line items represent 77.9% of the total operating budget.

The budget reflects 393 FTEs, a decrease of 4 FTEs over the previous year. Of the total FTEs, 291 CAP FTEs are associated with the Department, 64 CAP FTEs are associated with the Manufactured Housing portion of the agency, and 38 are associated with temporary federal funding.

The Salaries and Wages line item decreased by \$480,978 or 1.6%.

Salaries related to temporary programs decreased \$1,610,281 or 41.0% as a result of attrition of staff from Texas Rent Relief (TRR), Homeowners Assistance Fund (HAF), Community Development Block Grant (CDBG), and HOME ARPA.

Salaries related to the Department's core programs increased \$1,129,303 or 4.4%. The increase is primarily due to the addition of 9 FTEs to strategically realign resources and strengthen organizational capacity in support of compliance with federal requirements.

Payroll related costs related to the Department's core programs increased \$271,033. The increase in payroll related costs is proportional to the increase in salaries.

2. **Travel In-State.** Travel In-State increased by \$58,580 or 11.7%. The increase is reflective of current economic conditions and travel needs associated with Compliance, Community Affairs, and Section 8 Program activities.

3. ***Professional Fees.** Professional Fees decreased by \$2,372,167 or 36.0%. This is primarily related to reduced capital budget project costs in the second year of the biennium.
4. **Repairs and Maintenance.** Repairs and Maintenance increased by \$284,950 or 20.0%. The increase is primarily related to software customization costs in association with Community Affairs.
5. **Advertising.** Advertising decreased by \$50,250 or 47.3%. The decrease is primarily attributed to a reduction in the advertising budget for the BIL WAP Program due to a lower level of anticipated advertising activity.
6. **Temporary Help.** Temporary Help increased \$457,250 or 97.4%. The increase is primarily due to closeout activities associated with the Texas Rent Relief and Homeowner Assistance Fund programs, including the temporary engagement of former staff with program-specific experience.
7. ***Furniture and Equipment.** Included in this category is the Legislature's approval of the Department's Hardware and Software Replacements project for SFY26 and SFY27 as it relates to non-capital expenses such as update and replacement of end-user computers and operational software upgrades, including the replacement of desktop computers and laptops that will be six years old or older and software updates. The benefits of these planned purchases include increased security, better performance for end-user computers, and the ability to provide continued support for TDHCA's enterprise systems, such as the Central Database, CAPPs Financials, MITAS Accounting/Loan Servicing, and the Manufactured Housing System.

This line item increased \$96,696 or 27.1%, due to an anticipated decrease in capital expenditures for items such as computers and printers, the majority of which occur in the first year of the biennium.

8. **Communication and Utilities.** Communication and Utilities decreased \$98,875 or 15.9%. This category is also included in the Department's Hardware and Software Replacement project as it relates to direct capital expenses such as server hardware upgrades and network equipment enhancements, to ensure systems remain supported by vendors and security and reliability remain at high levels.

**The Department's Capital Projects are included in Professional Fees, Repairs/Maintenance, Furniture and Equipment and Capital Outlay. These projects include hardware and software replacements, database consolidation, ongoing Low Income Housing Tax Credit application, ongoing CAPPs financials license fees, Office 365, and the Disaster recovery services through the data center services performed by the Department of Information Resources.*

Methods of Finance

The SFY 2027 Budget includes the following sources:

General Revenue

State appropriated funds including Housing Trust Fund, Housing and Health Services Coordinating Council, and Homeless Housing and Services Program.

Earned Federal Funds - Federal funds appropriated for indirect costs associated with administering federal funds.

Federal Funds

Federal Funds-(Non-Housing and Economic Recovery Act (HERA)) - Core federal programs such as Community Services Block Grant (CSBG), Emergency Solutions Grant (ESG), HOME, U.S. Dept. of Energy (DOE), Section 8 Housing, Section 811 PRA Program, Low Income Home Energy Assistance Program (LIHEAP), and National Housing Trust Fund.

Neighborhood Stabilization Program - Federally appropriated funds specifically designated for HERA-NSP.

Federal Funds – (CARES Act, CRBRA, & ARPA) - Supplemental stimulus funding in response to the Coronavirus pandemic for core federal programs such as CSBG, ESG, Section 8, and LIHEAP. In addition, it reflects funding for the Community Development Block Grant (CDBG), ERA, HAF, and BIL WAP.

Appropriated Receipts - Housing Finance (HF):

Bond Admin Fees - Appropriated receipts associated with our Single Family and Multifamily bond programs such as application fees, issuance fees, and administration fees.

Low Income Housing Tax Credit Fees - Appropriated receipts associated with our housing tax credit program such as application fees and commitment fees.

Compliance Fees - Fees assessed to multifamily developers for the purpose of ensuring long-term compliance.

Asset Oversight Fees - Fees assessed to Tax Credit Assistance Program (TCAP) and Exchange property owners for the purpose of safeguarding the Department's financial interest in their properties.

Migrant Labor Housing Fees – Fees assessed for the purpose of inspections of migrant housing facilities.

Appropriated Receipts (MH) - Manufactured Housing Division fees generated through inspecting, licensing, and titling activities.

Interagency Contracts - Contract with the Texas Department of Agriculture for the Office of Colonia Initiatives (OCI) Self-Help Center's operation and administration; and a contract with the Texas Health and Human Services Commission (HHSC) for the Money Follows the Person program.

Comparison by Expense Object

	2026 Budget (a)	2027 Budget (b)	Variance (b-a)	Percentage Change
Salaries and Wages	\$ 29,558,590	\$ 29,077,612	\$ (480,978)	-1.6%
Payroll Related Costs	7,094,062	6,978,627	(115,435)	-1.6%
Travel In-State	501,450	560,030	58,580	11.7%
Travel Out-of-State	206,280	202,600	(3,680)	-1.8%
*Professional Fees	6,589,016	4,216,849	(2,372,167)	-36.0%
Material and Supplies	292,461	293,635	1,174	0.4%
*Repairs/Maintenance	1,425,458	1,710,408	284,950	20.0%
Printing and Reproduction	22,361	22,311	(50)	-0.2%
Rentals and Leases	133,490	142,003	8,513	6.4%
Membership Fees	114,224	115,734	1,510	1.3%
Staff Development	215,250	205,150	(10,100)	-4.7%
Insurance/Employee Bonds	713,976	703,654	(10,322)	-1.4%
Employee Tuition	4,500	4,500	-	0.0%
Advertising	106,250	56,000	(50,250)	-47.3%
Freight/Delivery	33,825	35,375	1,550	4.6%
Temporary Help	469,381	926,631	457,250	97.4%
*Furniture and Equipment	357,244	453,940	96,696	27.1%
Communication and Utilities	622,256	523,381	(98,875)	-15.9%
*Capital Outlay	-	-	-	n/a
State Office of Risk Management	34,832	34,832	-	0.0%
Total Department	48,494,906	\$ 46,263,272	\$ (2,231,634)	-4.6%

* Budget categories that include Capital Budget items

FTE's	397	393	(4.00)	-1.0%
Method of Finance:				
GR-General Revenue	\$ 1,257,319	\$ 1,266,217	\$ 8,898	0.7%
GR-Earned Federal Funds	3,482,809	3,521,222	38,413	1.1%
Federal Funds	11,475,259	11,432,614	(42,645)	-0.4%
Federal Funds-Temporary	1,736,658	1,300,999	(435,659)	-25.1%
Federal Funds-ARPA	1,950,252	1,034,521	(915,731)	-47.0%
Federal Funds-DOE BIL	2,054,818	2,010,374	(44,444)	-2.2%
Appropriated Receipts - Housing Finance	25,609,240	24,960,862	(648,378)	-2.5%
Appropriated Receipts - Migrant Labor Housing	128,350	145,694	17,345	13.5%
Appropriated Receipts - Manufact. Housing	512,133	511,899	(234)	0.0%
Interagency Contracts	288,068	78,870	(209,198)	-72.6%
Total, Method of Finance	\$ 48,494,906	\$ 46,263,272	\$ (2,231,634)	-4.6%

Note: Appropriated Receipts - Housing Finance include Bond Administration Fees, Housing Tax Credit Fees, Asset Management Fees and Compliance Fees.

Note: Due to rounding, numbers presented throughout this and other documents may not add up precisely to the totals provided and

Comparison by Expense Object														
	2026				2027				Base Variance		Percentage		Percentage	
	Budget	Capital Budget	Temporary Funds (a)	2026 Base Budget (b)	Budget	Capital Budget	2027 Temporary Funds (c)	2027 Base Budget (d)	(d)-(b)	Change	Temp Variance (c)-(a)	Change	Temp Variance (c)-(a)	Change
Salaries and Wages	\$ 29,558,590		\$ 3,923,595	\$ 25,634,995	\$ 29,077,612		\$ 2,313,314	\$ 26,764,299	\$ 1,129,303	4.4%	\$ (1,610,281)	-41.0%		
Payroll Related Costs	7,094,062		941,663	6,152,399	6,978,627		555,195	6,423,432	271,033	4.4%	(386,467)	-41.0%		
Travel In-State	501,450		27,126	474,324	560,030		19,979	540,051	65,727	13.9%	(7,147)	-26.3%		
Travel Out-of-State	206,280		43,865	162,415	202,600		41,063	161,537	(878)	-0.5%	(2,802)	-6.4%		
*Professional Fees	6,589,016	4,149,014	435,819	2,004,183	4,216,849	1,260,728	647,977	2,308,144	303,961	15.2%	212,158	48.7%		
Material and Supplies	292,461		24,773	267,688	293,635		20,083	273,551	5,863	2.2%	(4,690)	-18.9%		
*Repairs/Maintenance	1,425,458	415,194	35,373	974,891	1,710,408	712,118	131,231	867,059	(107,832)	-11.1%	95,858	271.0%		
Printing and Reproduction	22,361		1,107	21,254	22,311		1,102	21,209	(45)	-0.2%	(5)	-0.4%		
Rentals and Leases	133,490		8,376	125,114	142,003		8,106	133,897	8,783	7.0%	(270)	-3.2%		
Membership Fees	114,224		20,223	94,001	115,734		20,649	95,085	1,084	1.2%	426	2.1%		
Staff Development	215,250		26,548	188,702	205,150		20,930	184,220	(4,481)	-2.4%	(5,619)	-21.2%		
Insurance/Employee Bonds	713,976		50,179	663,797	703,654		25,622	678,032	14,235	2.1%	(24,557)	-48.9%		
Employee Tuition	4,500		-	4,500	4,500		-	4,500	-	0.0%	-	n/a		
Advertising	106,250		100,000	6,250	56,000		50,000	6,000	(250)	-4.0%	(50,000)	-50.0%		
Freight/Delivery	33,825		1,070	32,755	35,375		631	34,744	1,988	6.1%	(438)	-41.0%		
Temporary Help	469,381		113,276	356,105	926,631		514,105	412,525	56,420	15.8%	400,829	353.9%		
*Furniture and Equipment	357,244	309,644	5,803	41,797	453,940	409,940	3,769	40,231	(1,566)	-3.7%	(2,034)	-35.0%		
Communication and Utilities	622,256		22,878	599,378	523,381		12,542	510,839	(88,539)	-14.8%	(10,336)	-45.2%		
*Capital Outlay	-		-	-	-		-	-	-	n/a	-	n/a		
State Office of Risk Management	34,832		85	34,747	34,832		94	34,738	(9)	0.0%	9	11.1%		
Total Department	\$ 48,494,906	\$ 4,873,852	\$ 5,781,758	\$ 37,839,296	\$ 46,263,272	\$ 2,382,786	\$ 4,386,394	\$ 39,494,092	\$ 1,654,796	4.4%	\$ (1,395,364)	-24.1%		

Method of Finance:														
General Revenue:	2026				2027				Base Variance		Percentage		Percentage	
	Budget	Capital Budget	Temporary Funding (a)	2026 Base Budget (b)	Budget	Capital Budget	2027 Temporary Funding (c)	2027 Base Budget (d)	(d)-(b)	change	Temp Variance (c)-(a)	Change	Temp Variance (c)-(a)	Change
GR-General Revenue	\$ 1,257,319		\$ -	\$ 1,257,319	\$ 1,266,217		\$ 1,266,217	\$ 1,266,217	\$ 8,898	0.7%	\$ -	n/a		
GR-Earned Federal Funds	\$ 3,482,809		\$ 40,031	\$ 3,442,778	\$ 3,521,222		\$ 40,500	\$ 3,480,722	\$ 37,944	1.1%	\$ 469	1.2%		
Federal Funds	\$ 11,475,259	2,161,714	\$ -	\$ 9,313,545	\$ 11,432,614	908,176	\$ -	\$ 10,524,438	\$ 1,210,893	13.0%	\$ -	n/a		
Federal Funds-Temporary	\$ 1,736,658		\$ 1,736,658	\$ -	\$ 1,300,999		\$ 1,300,999	\$ -	\$ -	n/a	\$ (435,659)	-25.1%		
Federal Funds-ARPA	\$ 1,950,252		\$ 1,950,252	\$ -	\$ 1,034,521		\$ 1,034,521	\$ -	\$ -	n/a	\$ (915,731)	-47.0%		
Federal Funds-DOE BIL	\$ 2,054,818		\$ 2,054,818	\$ -	\$ 2,010,374		\$ 2,010,374	\$ -	\$ -	n/a	\$ (44,444)	-2.2%		
Appropriated Receipts - Housing Finance	\$ 25,609,240	2,712,138	\$ -	\$ 22,897,102	\$ 24,960,862	1,474,610	\$ -	\$ 23,486,252	\$ 589,150	2.6%	\$ -	n/a		
Appropriated Receipts - Migrant Labor Housing	\$ 128,350		\$ -	\$ 128,350	\$ 145,694		\$ 145,694	\$ 17,345	\$ 17,345	13.5%	\$ -	n/a		
Appropriated Receipts - Manufact. Housing	\$ 512,133		\$ -	\$ 512,133	\$ 511,899		\$ 511,899	\$ 511,899	\$ (234)	0.0%	\$ -	n/a		
Interagency Contracts	\$ 288,068		\$ -	\$ 288,068	\$ 78,870		\$ 78,870	\$ 78,870	\$ (209,198)	-72.6%	\$ -	n/a		
Total, Method of Finance	\$ 48,494,906	\$ 4,873,852	\$ 5,781,758	\$ 37,839,296	\$ 46,263,272	\$ 2,382,786	\$ 4,386,394	\$ 39,494,092	\$ 1,654,796	4.4%	\$ (1,395,364)	-24.1%		



FISCAL YEAR 2027
OPERATING BUDGET
(September 1, 2026 through August 31, 2027)

June 4, 2026

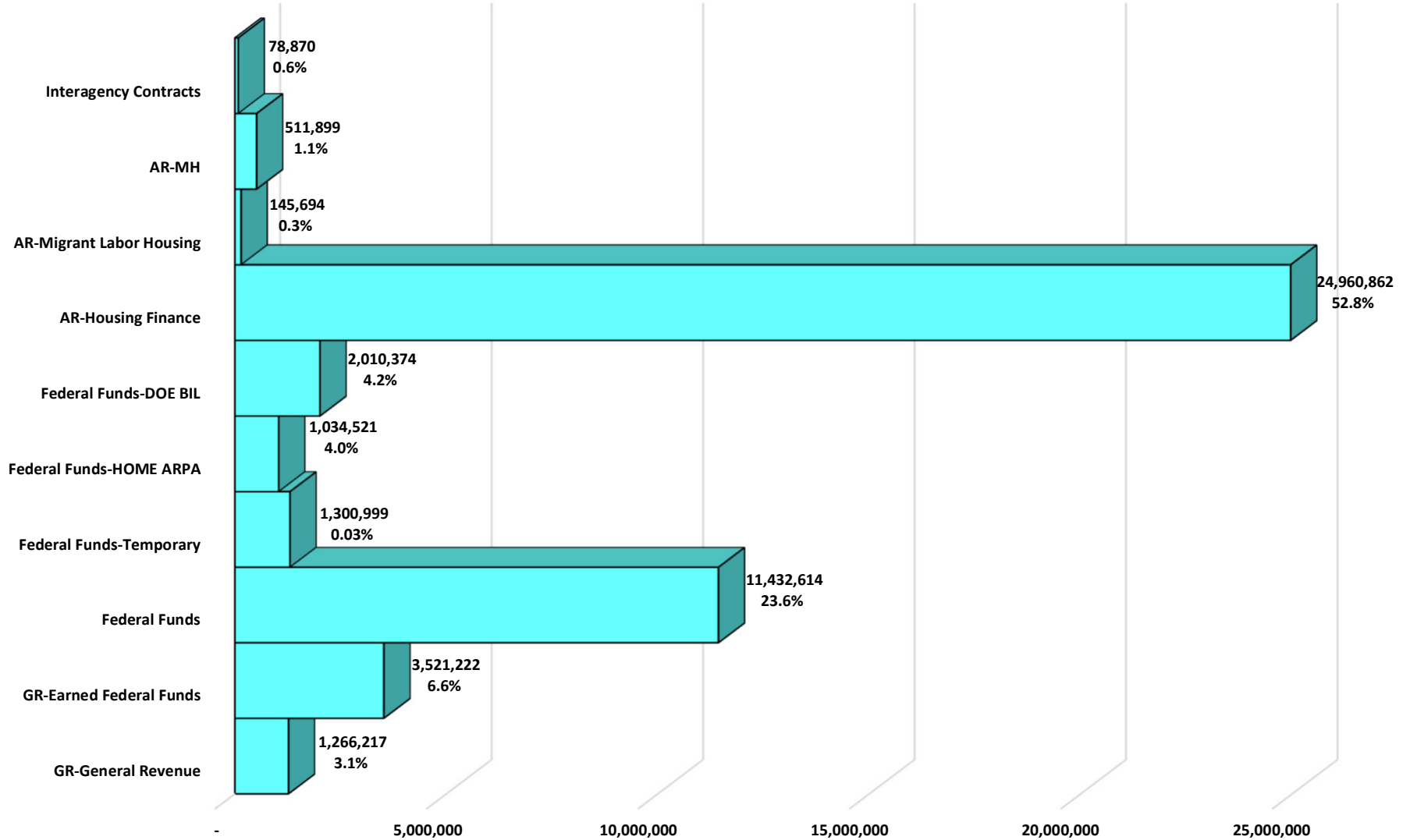
Prepared by the Financial Administration Division

**TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS SFY-2027 OPERATING BUDGET**

T A B L E O F C O N T E N T S

Method of Finance Chart..... 1
Agency Wide - By Method of Finance 2

Texas Department of Housing and Community Affairs SFY 2027 Method of Finance



Total Budget: 46,263,272

Agency Wide - By Method of Finance

September 1, 2026 thru August 31, 2027

Budget Categories	General	Federal Funds	Temporary	ARPA	BIL WAP	Appropriated	Interagency	MH	Total
	Revenue		Federal Funds			ARPA		Receipts	
Salaries	3,055,634	7,320,367	537,786	808,969	966,558	15,920,739	62,650	404,909	29,077,612
Payroll Related Costs	733,352	1,756,888	129,069	194,153	231,974	3,820,977	15,036	97,178	6,978,627
Travel In-State	37,725	179,382	551	3,134	16,294	322,944	-	-	560,030
Travel Out-of-State	4,717	60,582	689	6,667	33,707	96,238	-	-	202,600
Professional Fees	622,944	1,104,289	119,954	61	526,255	1,843,346	-	-	4,216,849
Materials/Supplies	52,824	36,307	920	1,175	4,588	197,821	-	-	293,635
Repairs/Maintenance	185,164	395,034	879	6,213	106,125	1,016,993	-	-	1,710,408
Printing and Reproduction	3,103	1,848	-	50	1,052	16,258	-	-	22,311
Rental/Lease	13,157	9,724	87	21	5,477	113,537	-	-	142,003
Membership Dues	1,880	32,840	331	80	20,238	60,364	-	-	115,734
Staff Development	15,743	52,453	965	5,734	13,231	117,024	-	-	205,150
Insurance/Employee Bonds	118,561	132,596	8,669	2,410	14,543	415,908	1,156	9,811	703,654
Employee Tuition	1,173	-	-	-	-	3,327	-	-	4,500
Advertising	-	2,000	-	-	50,000	4,000	-	-	56,000
Freight/Delivery	2,182	1,874	-	500	131	30,688	-	-	35,375
Temporary Help	24,222	106,663	499,832	50	10,365	285,499	-	-	926,631
Furniture/Equipment	2,359	151,724	165	1,540	2,064	296,088	-	-	453,940
Communications/Utilities	50,472	86,720	1,028	3,749	7,764	373,647	-	-	523,381
Capital Outlay	-	-	-	-	-	-	-	-	-
State Office of Risk Management	7,920	1,324	74	15	5	25,466	28	-	34,832
Total	4,933,132	11,432,613	1,300,999	1,034,523	2,010,374	24,960,862	78,870	511,899	46,263,272
Budget by Method of Finance, 2026	4,868,477	11,475,258	1,736,659	1,950,254	2,054,818	25,609,240	288,068	512,133	48,494,906
Variance from 2026	64,655	(42,645)	(435,660)	(915,731)	(44,444)	(648,378)	(209,198)	(236)	(2,231,634)



Texas Department of Housing and Community Affairs

Audit & Finance Committee

Board Action Request

File #: 1481

Agenda Date: 6/4/2026

Agenda #: 4.

Presentation, discussion, and possible action on the SFY 2027 Housing Finance Division Budget

RECOMMENDED ACTION

WHEREAS, the Governing Board of the Texas Department of Housing and Community Affairs (the Department or TDHCA) is required to approve a SFY 2027 Housing Finance Division Budget; and

WHEREAS, the Department is required to submit the budget to the Office of the Governor (OOG) and the Legislative Budget Board (LBB);

NOW, therefore, it is hereby

RESOLVED, that the SFY 2027 Housing Finance Division Budget, in the form presented to this meeting, is hereby approved; and

FURTHER RESOLVED, that upon approval by the TDHCA Governing Board, the Department will submit the budget to the OOG and the LBB.

BACKGROUND

In accordance with Tex. Gov't Code §2306.113, the Department shall create a separate annual budget for the Housing Finance Division to certify the housing program fee revenue that supports the Department. While at the time the statute was created such a division existed, the duties associated with the Housing Finance Division have been spread among multiple divisions in the agency as reorganizations to improve efficiency have occurred. This budget is a subset of the whole operating budget and shows the Housing Finance revenues also known as Appropriated Receipts that support the operating budget.

This SFY 2027 Housing Finance Division Budget, which the Board is being asked to approve, is \$24,960,862. The Housing Finance Budget complies with the provisions of the General Appropriations Act (GAA).

In addition, in accordance with Tex. Gov't Code §§2306.117 and 2306.118, the Department incurs operational and nonoperational expenses in carrying out the functions of the Housing Finance Division. These types of expenses may be paid only from revenues or funds provided under this Chapter. The revenue and funds of the Department received by or payable through the programs and functions of the Housing Finance Division, other than funds necessary for the operation of the Housing Finance Division and appropriated funds, shall be administered outside the treasury with the Texas Treasury Safekeeping Trust Company.

Housing Finance Budget Appropriated Receipts

September 1, 2026 thru August 31, 2027

Budget Categories	Executive Administration	Agency Administration	Bond Finance	Programs	Capital Budget	Payroll Related Costs	Total
Salaries	2,138,885	4,061,591	5,550,152	4,170,110			15,920,739
Payroll Related Costs	-	-	-	-		3,820,977	3,820,977
Travel In-State	88,411	9,019	23,500	202,013			322,944
Travel Out-of-State	30,600	4,752	41,500	19,386			96,238
Professional Fees	152,190	167,378	337,311	400,225	786,241		1,843,346
Materials/Supplies	23,933	62,723	60,283	50,882			197,821
Repairs/Maintenance	40,810	190,104	182,026	186,359	417,694		1,016,993
Printing and Reproduction	2,787	2,471	6,750	4,250			16,258
Rental/Lease	53,235	16,194	29,871	14,236			113,537
Membership Dues	50,377	2,342	1,000	6,644			60,364
Staff Development	22,799	35,458	32,000	26,767			117,024
Insurance/Employee Bonds	46,606	127,047	134,611	107,644			415,908
Employee Tuition	-	827	2,500	-			3,327
Advertising	1,500	2,500	-	-			4,000
Freight/Delivery	1,851	7,692	11,600	9,545			30,688
Temporary Help	168,012	18,346	65,640	33,501			285,499
Furniture/Equipment	3,750	7,128	7,800	6,735	270,675		296,088
Communications/Utilities	63,642	77,490	89,687	142,828			373,647
Capital Outlay	-	-	-	-	-		-
State Office of Risk Management	2,300	8,983	7,728	6,456			25,466
Total	2,891,687	4,802,047	6,583,959	5,387,582	1,474,610	3,820,977	24,960,862

Method of Finance:

Single Family Bond Administration Fees	3,126,180
Multifamily Bond Administration Fees	1,130,451
Compliance Fees	4,483,324
Housing Tax Credit Fees	4,365,210
Asset Management Fees	1,298,129
Subtotal:	14,403,294
Central Support Single Family Bond Administration Fees	751,129
Central Support Multifamily Bond Administration Fees	895,659
Central Support Compliance Fees	4,802,593
Central Support Housing Tax Credit Fees	3,449,578
Central Support Asset Management Fees	658,607
Subtotal:	10,557,566
Total, Method of Finance	24,960,862



Texas Department of Housing and Community Affairs

Audit & Finance Committee

Board Action Request

File #: 1468

Agenda Date: 6/4/2026

Agenda #: 5.

Presentation and discussion of Internal Audit Report on the Housing Resource Center Division, Report# 26-002

BACKGROUND

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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May 26, 2026

Writer's direct phone # 512.475.3813
Email: mark.scott@tdhca.texas.gov

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.

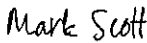
Legistar: A management tool and software for board agenda and board book compilation, and the means utilized for web posting those items. Required to be used by all staff with a Board item.

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



Texas Department of Housing and Community Affairs

Audit & Finance Committee

Board Action Request

File #: 1472

Agenda Date: 6/4/2026

Agenda #: 6.

Presentation and discussion of Internal Audit Report on the My First Texas Home program, Report# 26-003

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Internal Audit of the My First Texas Home (MFTH) Program
Audit Report # 26-003

Executive Summary

The Office of Internal Audit (OIA) performed an audit of the My First Texas Home program at TDHCA to examine and evaluate the program's processes for effectiveness and efficiency, and to assess the adequacy of the existing administrative and internal controls.

Based on our review and testing, the My First Texas Home Program seems to be operating effectively in meeting its intended purpose of providing mortgage options, down payment assistance, and MCCs, as well as supporting eligible homebuyers across Texas. 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 management periodically review borrower-facing content and resources to promote transparency.

Objective, Scope, and Methodology

Our scope included a review of the Texas Government Code (TCG 2306.142), Texas Administrative Code (Section 10.403 of the Rules in 10 TAC Chapter 27.1, 10 TAC Chapter 28), service agreements, and SOP related to My First Texas Home activities.



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

5/29/26
Date Signed



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

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May 29, 2026

*Writer's direct phone # 512.475.3813
Email: mark.scott@tdhca.texas.gov*

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

RE: Internal Audit of the My First Texas Home program

Dear Board Members:

This report presents the results of the Office of Internal Audit ("OIA") "*Audit of the My First Texas Home Program at TDHCA*". This audit was conducted in accordance with applicable audit standards. It included the objectives to assessing and evaluating the internal controls of the activities related to this function, as well as accuracy and compliance of the approval process with applicable rules and regulations. My First Texas Home Program was identified during the fiscal year 2026 risk assessment and rated high on the risk assessment matrix due to lack of recent audits and its overall importance to the Department's mission.

For this audit, we reviewed applicable Texas Administrative Code, TX Gov Code, function-specific SOP, and other applicable rules and regulations. We conducted interviews with several division staff and performed testing and analysis of the processes involved in operating the My First Texas Home Program and delivering its mortgage, down payment assistance, and MCC offerings to eligible Texas homebuyers.



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 My First Texas Home Program seems to be operating effectively in meeting its intended purpose of providing mortgage options, down payment assistance, and MCCs, as well as supporting eligible homebuyers across Texas. We identified some areas for improvement and made recommendations to the staff. Details of our recommendations and management responses are included in later sections of this report.

B. Background Information

In accordance with Texas Administrative Code 27.1 (a) The purpose of the Texas First Time Homebuyer Program is to facilitate the origination of single-family Mortgage Loans for eligible first-time Homebuyers, and to make available down payment and closing cost assistance to eligible Homebuyers. The Texas First Time Homebuyer Program is administered in accordance with Texas Government Code, Chapter 2306. Chapter 20 of this title (relating to the Single Family Programs Umbrella Rule) does not apply to the activities under this chapter, except if these activities are combined with activities subject to Chapter 20 of this title.

(b) Assistance under this Program is dependent, in part, on the availability of funds. The Department may cease offering all or a part of the assistance available under the program at any time and in its sole discretion.

While TDHCA has administered various down payment assistance programs since the Department's inception, it is understood that around September 2012 the My First Texas Home Program was officially branded as the Department's first-time homebuyer program, offering low-rate mortgage loans, down payment assistance loans, and Mortgage Credit Certificates (MCCs) to qualified first-time homebuyers (FTHBs) or otherwise exempt borrowers, such as qualified veterans or borrowers purchasing in qualified targeted census tracts.

C. Scope and Methodology

Our scope included a review of the Texas Government Code (TCG 2306.142), Texas Administrative Code (Section 10.403 of the Rules in 10 TAC Chapter 27.1, 10 TAC Chapter 28), service agreements, and SOP related to My First Texas Home activities.

We also held interviews with several division staff and performed testing and analysis of the processes involved in operating the My First Texas Home Program and delivering its mortgage, down payment assistance, and MCC offerings to eligible Texas homebuyers. The result of our reviews and testing is provided in the Testing section of the report.

D. Roles and Responsibilities

The Texas Homeownership Division

The Texas Homeownership Division is primarily responsible for the creation, oversight, and administration of the Department's homeownership programs, which are designed to assist low- to moderate-income homebuyers. The program accomplishes this through both bond proceeds and a TBA program, managed by the Bond Finance Division, in which funds are generated through private investors. Program options are made available to Texas consumers through the Department's network of approved participating lender partners.

Bond Finance Division

The Bond Finance Division is responsible for structuring, restructuring, administering, and monitoring the Department's Mortgage Revenue Bond (MRB) issues. Bond Finance coordinates all activities related to the issuance and/or remarketing of MRBs and notes. Bond proceeds generated through these activities are allocated to TDHCA's Texas Homebuyer programs.

Homebuyer Education Course

The TDHCA Homebuyer Program requires completion of a HUD Certified homebuyer education course in accordance with Texas Administrative Code, 10 TAC §27.1. TDHCA has a Memorandum of Agreement in place with FinallyHome!, which provides an online homebuyer education course approved for use under the MFTH Program. The course is designed to prepare first-time and otherwise eligible homebuyers for the mortgage process by covering topics such as budgeting, credit readiness, loan types, and the responsibilities of homeownership. In addition to the FinallyHome! course, TDHCA also accepts homebuyer education courses offered through Fannie Mae and Freddie Mac, which meet the same program requirements. Homebuyers may select any of the approved education options to satisfy the mandatory education requirement prior to loan closing.

Master Servicer

The Money Source (TMS) has the responsibilities including the oversight and ongoing servicing of existing loans, provides lender support and training, and reports to TDHCA with loan activity, loan performance, compliance issues and any exceptions. TMS works closely with TDHCA staff on program updates, rule changes, system integrations, and required data reporting.

Program Administrator

Hilltop Securities is the Program Administrator for TDHCA's Homeownership programs. They are responsible for providing, managing and maintaining the mortgage loan reservation system used by TDHCA lenders. Their role is to oversee the mortgage application process from submission to final approval. Other duties include managing lender relationships and tracking funds, compliance review for adherence with TDHCA guidelines, and Administering the TDHCA Mortgage Credit Certificate program.

TBA Program

TBA stands for "to be announced" and refers to a private-sector mortgage brokerage model in which a TBA provider commits to a price—based on the mortgage rate—for mortgage-backed securities (MBS) that will be issued in the future and backed by mortgage loans not yet originated. The TBA Administrator provides daily mortgage loan pricing to enable TDHCA to set mortgage rates. The TBA program is designed to improve liquidity. Hilltop Securities tracks TDHCA's TBA loan reservations and assumes pipeline risk by agreeing to purchase MBS from TDHCA at predetermined prices. This results in the TBA Administrator assuming all risks associated with the TBA program, including market risk, extension risk, and fallout risk.

E. Reviews, Testing and Recommendations

Testing of the MFTH Program consisted of several components, including an assessment of the efficiency and usability of the homebuyer education course and a review of the TDHCA homebuyer section of the website. The TDHCA recommended education course provided by the partnering entity, FinallyHome!, was compared to the Fannie Mae homebuyer course which can also be found on the homebuyer section of the TDHCA website. No notable superior features were identified between the two. The Fannie Mae course is offered at no cost, while the FinallyHome! course is priced at \$50 unless the buyer has a discount code. Before beginning the FinallyHome! course, users must accept a privacy policy that permits the partnering entity to store and potentially sell personal information. Upon completion of the course, FinallyHome! does not redirect buyers back to the TDHCA website and later sends multiple next-step emails directly to the buyer. It was additionally recognized that although FinallyHome! provides passthrough buyer reports containing non-PPI data for anyone using the TDHCA landing page, the lack of traceable information may prevent TDHCA from determining whether buyers referred from the TDHCA website who completed the course received appropriate assistance.

It was identified that the TDHCA website does not disclose that the partnering entity collects and may share personal information, directs next-step communication to the buyer rather than returning them to the TDHCA website, or charges a fee for a service that is available at no cost through other approved education providers. Given TDHCA's role in serving and protecting Texas consumers, increased transparency regarding these differences may help ensure homebuyers are fully informed when selecting an education option.

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
26-003.01	OIA recommends management periodically review borrower-facing content and resources to promote transparency.	Ongoing	MFTH Director

Management Response

As stated above, FinallyHome! Is offered to TDHCA participants at a reduced \$50 fee. In addition to the FinallyHome! course, TDHCA also accepts any HUD Certified homebuyer education course and also lists two free options on the TDHCA Homebuyer Program website that are offered through Fannie Mae and Freddie Mac, which meet the same program requirements. However, Homebuyers may select any HUD Certified Homebuyer education course, not just what is listed on the TDHCA website page as options, to satisfy the mandatory education requirement prior to loan closing.

Typically HBE courses for other Housing Finance Agencies cost between \$70-\$100. FinallyHome! offers customer support to students via email, chat and phone during normal business hours with, life of the loan homeowner counseling, financial literacy and landlord training for homebuyers purchasing owner occupied Duplexes, whereas other HBE courses do not offer this level of extended support.

Management agrees that periodic review of borrower-facing information is appropriate and will revisit the applicable education and landing pages on the TDHCA program website to ensure clarity regarding available course options, associated fees, and third-party provider disclosures where applicable.

According to staff interviews and workflow reviews, the staff of My First Texas Home is currently operating with one Director, one Program Manager, one Business Development Specialist, and one Loan Servicing Specialist who collectively manage the MFTH as well as the applicable combinations of the other TDHCA Homebuyer Program options. While the division has established process documentation, cross-training practices, and effective teamwork, the current staffing model requires the team to maintain routine operations even during planned absences, such as holidays or scheduled leave. Operational indicators such as staff comments and evidence of redistributed job functions suggest that the team may be approaching capacity limitations, which could introduce risks to maintaining adequate segregation of duties. It was communicated that the division currently has two available FTEs due to a recent resignation and ongoing organizational realignment and onboarding efforts to further support operational continuity and workload management are in progress.

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 the My First Texas Home staff for their cooperation and assistance during this audit.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mark Scott".

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

MS/EH



Texas Department of Housing and Community Affairs

Audit & Finance Committee

Board Action Request

File #: 1473

Agenda Date: 6/4/2026

Agenda #: 7.

Report on the status of Internal and External Audit activities.