

Texas Department of Housing and Community Affairs



Board Book

Thursday, June 12, 2025

9:30 AM

**Dewitt C. Greer State Highway Building
125 E. 11th Street
Williamson Board Room
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 on Audit and Finance Committee Meeting Minutes Summary for March 6, 2025 | Mark Scott |
| 2. | Presentation, discussion, and possible action on the SFY 2026 Operating Budget | Paul Ford |
| 3. | Presentation, discussion, and possible action on the SFY 2026 Housing Finance Division Budget | Paul Ford |

REPORT ITEMS:

- | | | |
|----|--|------------|
| 4. | Presentation and discussion of Internal Audit of Rent Approval function of Asset Management division at TDHCA, Report # 25-003 | Mark Scott |
| 5. | Presentation and discussion of Internal Audit of the Travel activities at TDHCA, Report # 25-004 | Mark Scott |
| 6. | 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 #: 1016

Agenda Date: 6/12/2025

Agenda #: 1.

Presentation, discussion and possible action on Audit and Finance Committee Meeting Minutes Summary for March 6, 2025

RECOMMENDED ACTION

RESOLVED, that the Audit and Finance Committee Meeting Minutes Summary for March 6, 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, 2025 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 and Mr. Leo Vasquez were present and represented a quorum for the Committee meeting. Ms. Anna Maria Farias had an excused absence.

Mr. Thomas started the meeting by taking roll and welcoming everyone to the meeting, especially Ms. Conroy as a new Committee member. He then moved to the first action item on the agenda; approval of the minutes from December 12, 2024, 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 2024 to the governing board" and was presented by Mr. Clayton and Mr. Sumners from SAO.

Mr. Clayton started his presentation by introducing himself as the audit manager, and Mr. Sumners as the project manager on this audit, and took the opportunity to thank all the staff at TDHCA for their cooperation and assistance. Mr. Sumners continued the presentation and said that they issued two unmodified opinions as part of their engagement; one on the Department's FY 24 basic Financial Statements, and one on the Department's Financial Statements related to the Revenue Bond program for FY 2024. 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 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, 2024. The results of all that work were disclosed and there were no issues of noncompliance or other matters that were required to be disclosed under Government Auditing Standards.

Prior to fiscal year 2024 Financial Statements audit work, SAO issued an unmodified or clean opinion on the Department's fiscal year 2023 financial data schedule as it relates to the fiscal year 2023 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 October. At the conclusion of the presentation Mr. Sumners offered to answer any questions that the Committee members may have. Mr. Vasquez asked a general question regarding potential risks of fraud in reporting. Mr. Clayton provided an explanation for their process of evaluating and identifying any significant risks. Mr. Thomas also expressed his appreciation for TDHCA staff and their continuous cooperation with SAO's staff. 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. Conroy and seconded by Mr. Vasquez. Motion passed.

The next item on the agenda was the "Internal Audit report of Amy Young Barrier Removal Program", and was presented by Mr. Mark Scott, Director of Internal Audit division. Mr. Scott said that the Amy Young Barrier Removal Program (AYBRP) was identified during the fiscal year 2025 risk assessment and rated high on the risk assessment matrix due to lack of recent audit of the program, and its importance in helping low-income individuals with disability to live in a safe and hazardous free home. Our scope for this audit included a review of the applicable Texas Administrative Codes, program manual and program SOPs, and internal controls related specifically to the AYBR program. We also conducted interviews with several key program staff and performed testing and analysis of the operation of the program from the approval process of the Administrators to approval and funding of individual projects. Administrators are subrecipients subject to CFR 200 and the Single Audit Act. Also, the program is based on reimbursement, so funds are paid after projects are complete.

For this audit we randomly selected six Administrator files from a total of 54 active administrators who serve different counties in Texas, and eight Applicants' files from a total of 73 applications that were approved and / or funded during fiscal year 2024. The selected sample were reviewed and tested for accuracy, completeness, and compliance with all applicable rules. Based on our review and testing, the Amy Young Barrier Removal program seems to be operating effectively in assisting low-income Texans live in safe and hazardous free homes. We had no findings for this program. It was a "clean audit". Mr. Scott offered to answer questions for the Committee members. Mr. Thomas asked if this was the first audit of this program. Mr. Scott said that this is the first internal audit of this program. He also said that generally the programs under Ms. Versyp seem to be operating well and have no findings.

With no other questions, Mr. Thomas moved to the next report item on the agenda; "Report on the status of the internal and external audit activities" and this was presented by Mr. Scott as well. Mr. Scott said that, as 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). CLA had audited as “major programs” Low Income Home Energy Assistance Program (LIHEAP), Emergency Rental Assistance (ERA), and Homeowners Assistance Fund (HAF), and did follow-up work this year to clear their prior Year findings. All the prior year’s findings were corrected / cleared, and for this year they had a minor finding related to LIHEAP and the HOME program, which the agency is currently working on. Just a note; major program designation for Single Audit is determined based on program size and risk.

Mr. Scott gave some background on what Single Audit test for “major programs”. The key compliance requirements tested for Single Audits typically include activities allowed or unallowed, allowable cost principles, eligibility, matching, level of effort, earmark, period of performance, subrecipient monitoring, cash management, and internal controls. These guidelines are in the OMB Compliance supplement, and the CLA audit provides good assurance over the federal funds. Also, there was follow-up work done on the SAO audit of the procurement of the TRR contracts, and all the prior year findings have been cleared. There is still some review work by Federal OIG in process.

On the internal audit activities Mr. Scott said that on the FY 2025 audit plan, we completed the Amy Young Barrier Removal program audit. We started the audit of the Davis Bacon Act activities and the audit of Rent Approval processes. The strategy was basically to get the small internal audits done while the external audits were being finished. Then we will tackle the bigger audits on the plan like REA and Single-Family Mortgage Revenue Bond. That concluded Mr. Scott’s presentation, and he offered to answer any questions that the committee members may have.

Mr. Thomas thanked Mr. Scott for his presentation. Mr. Vasquez asked about the OIG review. Mr. Scott said that about a year or so ago they sent TDHCA a letter saying they’ll be auditing TRR program, and as of today OIA has not seen any indications that their audit is finished and haven’t seen any updates on their findings. Mr. Vasquez then asked if there were any initial findings. Mr. Scott said that, as it was discussed a couple of years ago, the rental assistance program had various kinds of recipient fraud.

With no further questions or comments, Mr. Thomas formally adjourned the meeting at 9:47.



Texas Department of Housing and Community Affairs

Audit & Finance Committee

Board Action Request

File #: 1043

Agenda Date: 6/12/2025

Agenda #: 2.

Presentation, discussion, and possible action on the SFY 2026 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 2026 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 2026 Operating 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 §2306.112 *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 2026 Internal Operating Budget, which the Board is being asked to approve, corresponds to the first year of the biennial General Appropriations Act (GAA) passed by the 89th Texas Legislature which appropriated \$488,025,349. In total, this budget provides for administrative expenditures and associated revenues of \$48,494,906 or a \$2,456,368 (4.8%) decrease from the prior year's budget. Of the total net decrease, \$8,222,290 is associated with temporary federal funding, offset by a \$1,717,302 increase for Capital Budget projects and a \$4,048,620 increase associated with the Department's core programs.

The budget reflects 397 Full Time Equivalents (FTEs) of which 64 FTEs are appropriated to the Manufactured Housing Division. The remaining 333 are TDHCA FTEs which are composed of 291 CAP FTEs, and 42 Article IX (Temporary) 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, increased by \$3,468,699 or 15.7%. This increase is primarily attributed to the addition of 17 FTEs and an increase in the Capital Budget included in the GAA.

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 2026 Operating Budget
Comparison Report
June 12, 2025

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 2026 Operating Budget is \$48,494,906 or a \$2,456,368 (4.8%) 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 \$8,222,290 of the decrease. The decrease is offset by a \$1,717,302 increase for Capital Budget projects, and a \$4,048,620 or 12.0% 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 75.6% of the total operating budget.

The budget reflects 397 FTEs, a decrease of 2 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 42 are associated with temporary federal funding.

The Salaries and Wages line item increased by \$165,740 or 0.6%.

Salaries related to temporary programs decreased \$2,312,280 or 37.1% 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 \$2,478,121 or 10.7%. The increase is primarily due to 17 FTEs proposed in the Department's 2026-2027 Legislative Appropriation Request (LAR) to support the increase in volume and complexity of single family, multifamily, tax credit and Information Resources activity. In addition, 3 FTEs were appropriated related to the monitoring of Migrant Labor Housing through Senate Bill 243 and 1 FTE related to the monitoring of Housing Finance Corporations through House Bill 21 passed by the 89th Texas Legislature.

Payroll related costs related to the Department's core programs increased \$39,778. The increase in payroll related costs is proportional to the increase in salaries.

2. **Travel In-State.** Travel In-State decreased by \$135,945 or 21.3%. The decrease is primarily attributed to a decrease of \$60,702 related to the impending conclusion of various COVID related programs and \$75,243 attributed to efficiencies identified within the Department's core operations.
3. **Travel Out-of-State.** Travel Out-of-State decreased by \$71,100 or 25.6%. The decrease is primarily attributed to a decrease of \$25,716 related to the impending conclusion of various COVID related programs and \$45,384 attributed to efficiencies identified within the Department's core operations.
4. ***Professional Fees.** Professional Fees decreased by \$2,489,746 or 27.4%. This is primarily related to the conclusion of an outsourcing contract to assist in the administration and oversight of the Homeowner Assistance Fund (HAF) program.
5. **Repairs and Maintenance.** Repairs and Maintenance increased by \$462,898 or 48.1%. The increase is primarily related to \$300,000 in system maintenance estimated costs for the Community Affairs Statewide Reporting System and \$100,000 is estimated cost for new budgeting software.
6. **Rentals and Leases.** Rentals and Leases increased by \$28,852 or 27.6%. This increase is largely due to the potential need for alternative spaces, related transcription, and post-production requirements to conduct Board meetings, Audit and Finance Committee meetings, and Single-Family Activities Committee meetings.
7. **Membership Fees.** Membership Fees decreased by \$43,025 or 27.4%. The decrease is primarily attributed to a decrease of \$16,251 related to the impending conclusion of various COVID related programs and \$26,774 attributed to the discontinuation in participation for some organizations within the Department's core operations.
8. **Staff Development.** Staff Development decreased by \$28,650 or 11.7%. The decrease is primarily attributed to a decrease of \$17,366 related to the impending conclusion of various COVID related programs and \$11,284 attributed to identification of other training alternatives with potentially lower costs.
9. **Advertising.** Advertising decreased by \$400,750 or 79.0%. The decrease is primarily attributed to a \$400,000 reduction to the advertising budget for the BIL WAP Program due to reduced need.
10. **Temporary Help.** Temporary Help decreased \$59,688 or 11.3%. The decrease is primarily attributed to a decrease of \$38,175 related to the impending conclusion of various COVID related programs and \$21,513 attributed to a lesser need for resources due to the additional FTEs.
11. ***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 \$36,444 or 11.4%, due to an anticipated increase in capital expenditures for items such as computers and printers, the majority of which occur in the first year of the biennium.

12. **Communication and Utilities.** Communication and Utilities increased \$62,691 or 11.2%. 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 2026 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

	2025 Budget (a)	2026 Budget (b)	Variance (b-a)	Percentage Change
Salaries and Wages	\$ 29,392,850	\$ 29,558,590	\$ 165,740	0.6%
Payroll Related Costs	7,054,284	7,094,062	39,778	0.6%
Travel In-State	637,395	501,450	(135,945)	-21.3%
Travel Out-of-State	277,380	206,280	(71,100)	-25.6%
*Professional Fees	9,078,762	6,589,016	(2,489,746)	-27.4%
Material and Supplies	317,746	292,461	(25,285)	-8.0%
*Repairs/Maintenance	962,560	1,425,458	462,898	48.1%
Printing and Reproduction	29,447	22,361	(7,086)	-24.1%
Rentals and Leases	104,637	133,490	28,852	27.6%
Membership Fees	157,249	114,224	(43,025)	-27.4%
Staff Development	243,900	215,250	(28,650)	-11.7%
Insurance/Employee Bonds	694,042	713,976	19,934	2.9%
Employee Tuition	11,500	4,500	(7,000)	-60.9%
Advertising	507,000	106,250	(400,750)	-79.0%
Freight/Delivery	37,825	33,825	(4,000)	-10.6%
Temporary Help	529,069	469,381	(59,688)	-11.3%
*Furniture and Equipment	320,800	357,244	36,444	11.4%
Communication and Utilities	559,565	622,256	62,691	11.2%
*Capital Outlay	-	-	-	n/a
State Office of Risk Management	35,263	34,832	(431)	-1.2%
Total Department	50,951,274	\$ 48,494,906	\$ (2,456,368)	-4.8%

* Budget categories that include Capital Budget items

FTE's	399	397	(2.00)	-0.5%
Method of Finance:				
GR-General Revenue	\$ 669,584	\$ 1,527,319	\$ 857,735	128.1%
GR-Earned Federal Funds	3,107,218	3,212,809	105,590	3.4%
Federal Funds-Non-HERA	10,377,290	11,462,415	1,085,124	10.5%
Federal Funds-Neighborhood Stabilization Program (HERA)	33,102	12,844	(20,258)	-61.2%
Federal Funds-CARES Act	1,421,775	796,987	(624,788)	-43.9%
Federal Funds-CRBRA	1,899,059	939,671	(959,388)	-50.5%
Federal Funds-ARPA	7,270,462	1,950,252	(5,320,210)	-73.2%
Federal Funds-DOE BIL	3,109,919	2,054,818	(1,055,101)	-33.9%
Appropriated Receipts - Housing Finance	22,140,542	25,609,240	3,468,699	15.7%
Appropriated Receipts - Migrant Labor Housing	129,237	128,350	(888)	-0.7%
Appropriated Receipts - Manufact. Housing	511,204	512,133	929	0.2%
Interagency Contracts	281,881	288,068	6,187	2.2%
Total, Method of Finance	\$ 50,951,274	\$ 48,494,906	\$ (2,456,368)	-4.8%

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												
	2025 Budget	2025 Capital Budget	2025 Temporary Funds (a)	2025 Base Budget (b)	2026 Budget	2026 Capital Budget	2026 Temporary Funds (c)	2026 Base Budget (d)	Base Variance (d)-(b)	Percentage Change	Temp Variance (c)-(a)	Percentage Change
Salaries and Wages	\$ 29,392,850		\$ 6,235,975	\$ 23,156,875	\$ 29,558,590		\$ 3,923,595	\$ 25,634,995	\$ 2,478,121	10.7%	\$ (2,312,380)	-37.1%
Payroll Related Costs	7,054,284		1,496,634	5,557,650	7,094,062		941,663	6,152,399	594,749	10.7%	(554,971)	-37.1%
Travel In-State	637,395		87,828	549,567	501,450		27,126	474,324	(75,243)	-13.7%	(60,702)	-69.1%
Travel Out-of-State	277,380		69,581	207,799	206,280		43,865	162,415	(45,384)	-21.8%	(25,716)	-37.0%
*Professional Fees	9,078,762	2,570,375	5,031,849	1,476,538	6,589,016	4,149,014	435,819	2,004,183	527,645	35.7%	(4,596,030)	-91.3%
Material and Supplies	317,746		48,192	269,554	292,461		24,773	267,688	(1,866)	-0.7%	(23,419)	-48.6%
*Repairs/Maintenance	962,560	347,375	95,562	519,623	1,425,458	415,194	35,373	974,891	455,268	87.6%	(60,189)	-63.0%
Printing and Reproduction	29,447		2,775	26,672	22,361		1,107	21,254	(5,418)	-20.3%	(1,668)	-60.1%
Rentals and Leases	104,637		24,382	80,255	133,490		8,376	125,114	44,859	55.9%	(16,006)	-65.6%
Membership Fees	157,249		36,474	120,775	114,224		20,223	94,001	(26,774)	-22.2%	(16,251)	-44.6%
Staff Development	243,900		43,915	199,985	215,250		26,548	188,702	(11,284)	-5.6%	(17,366)	-39.5%
Insurance/Employee Bonds	694,042		88,371	605,671	713,976		50,179	663,797	58,126	9.6%	(38,192)	-43.2%
Employee Tuition	11,500		2,500	9,000	4,500		-	4,500	(4,500)	-50.0%	(2,500)	-100.0%
Advertising	507,000		500,000	7,000	106,250		100,000	6,250	(750)	-10.7%	(400,000)	-80.0%
Freight/Delivery	37,825		4,120	33,705	33,825		1,070	32,755	(949)	-2.8%	(3,051)	-74.0%
Temporary Help	529,069		151,451	377,618	469,381		113,276	356,105	(21,513)	-5.7%	(38,175)	-25.2%
*Furniture and Equipment	320,800	238,800	26,829	55,171	357,244	309,644	5,803	41,797	(13,374)	-24.2%	(21,026)	-78.4%
Communication and Utilities	559,565	-	57,430	502,135	622,256		22,878	599,378	97,243	19.4%	(34,552)	-60.2%
*Capital Outlay	-	-	-	-	-	-	-	-	-	n/a	-	n/a
State Office of Risk Management	35,263		180	35,083	34,832		85	34,747	(336)	-1.0%	(96)	-53.1%
Total Department	\$ 50,951,274	\$ 3,156,550	\$ 14,004,048	\$ 33,790,676	\$ 48,494,906	\$ 4,873,852	\$ 5,781,758	\$ 37,839,296	\$ 4,048,620	12.0%	\$ (8,222,290)	-58.7%

Method of Finance:												
General Revenue:	2025 Budget	2025 Capital Budget	2025 Temporary Funding (a)	2025 Base Budget (b)	2026 Budget	2026 Capital Budget	2026 Temporary Funding (c)	2026 Base Budget (d)	Base Variance (d)-(b)	Percentage change	Temp Variance (c)-(a)	Percentage Change
GR-General Revenue	\$ 669,584		\$ -	\$ 669,584	\$ 1,527,319			\$ 1,527,319	\$ 857,735	128.1%	\$ -	n/a
GR-Earned Federal Funds	\$ 3,107,218		\$ 302,834	\$ 2,804,385	\$ 3,212,809			\$ 3,172,778	\$ 368,393	13.1%	\$ (262,803)	-86.8%
Federal Funds-Non-HERA	\$ 10,377,290	1,998,945	\$ -	\$ 8,378,345	\$ 11,462,415	2,161,714	\$ 40,031	\$ 9,300,701	922,355	11.0%	\$ -	n/a
Federal Funds-Neighborhood Stabilization Program (HERA)	\$ 33,102		\$ -	\$ 33,102	\$ 12,844			\$ 12,844	(20,258)	-61.2%	\$ -	n/a
Federal Funds-CARES Act	\$ 1,421,775		1,421,775	\$ -	\$ 796,987		796,987	\$ -	-	n/a	\$ (624,788)	-43.9%
Federal Funds-CRBRA	\$ 1,899,059		1,899,059	\$ -	\$ 939,671		939,671	\$ -	-	n/a	\$ (959,388)	-50.5%
Federal Funds-ARPA	\$ 7,270,462		7,270,462	\$ -	\$ 1,950,252		1,950,252	\$ -	-	n/a	\$ (5,320,210)	-73.2%
Federal Funds-DOE BIL	\$ 3,109,919		3,109,919	\$ -	\$ 2,054,818	-	2,054,818	\$ -	-	n/a	\$ (1,055,101)	-33.9%
Appropriated Receipts - Housing Finance	\$ 22,140,542	1,157,605	\$ -	\$ 20,982,937	\$ 25,609,240	2,712,138		\$ 22,897,102	1,914,166	9.1%	\$ -	n/a
Appropriated Receipts - Migrant Labor Housing	\$ 129,237		\$ -	\$ 129,237	\$ 128,350			\$ 128,350	(888)	-0.7%	\$ -	n/a
Appropriated Receipts - Manufact. Housing	\$ 511,204		\$ -	\$ 511,204	\$ 512,133			\$ 512,133	929	0.2%	\$ -	n/a
Interagency Contracts	\$ 281,881		\$ -	\$ 281,881	\$ 288,068			\$ 288,068	6,187	2.2%	\$ -	n/a
Total, Method of Finance	\$ 50,951,274	\$ 3,156,550	\$ 14,004,048	\$ 33,790,676	\$ 48,494,906	\$ 4,873,852	\$ 5,781,758	\$ 37,839,296	\$ 4,048,620	12.0%	\$ (8,222,290)	-58.7%



FISCAL YEAR 2026
OPERATING BUDGET
(September 1, 2025 through August 31, 2026)

June 12, 2025

Prepared by the Financial Administration Division

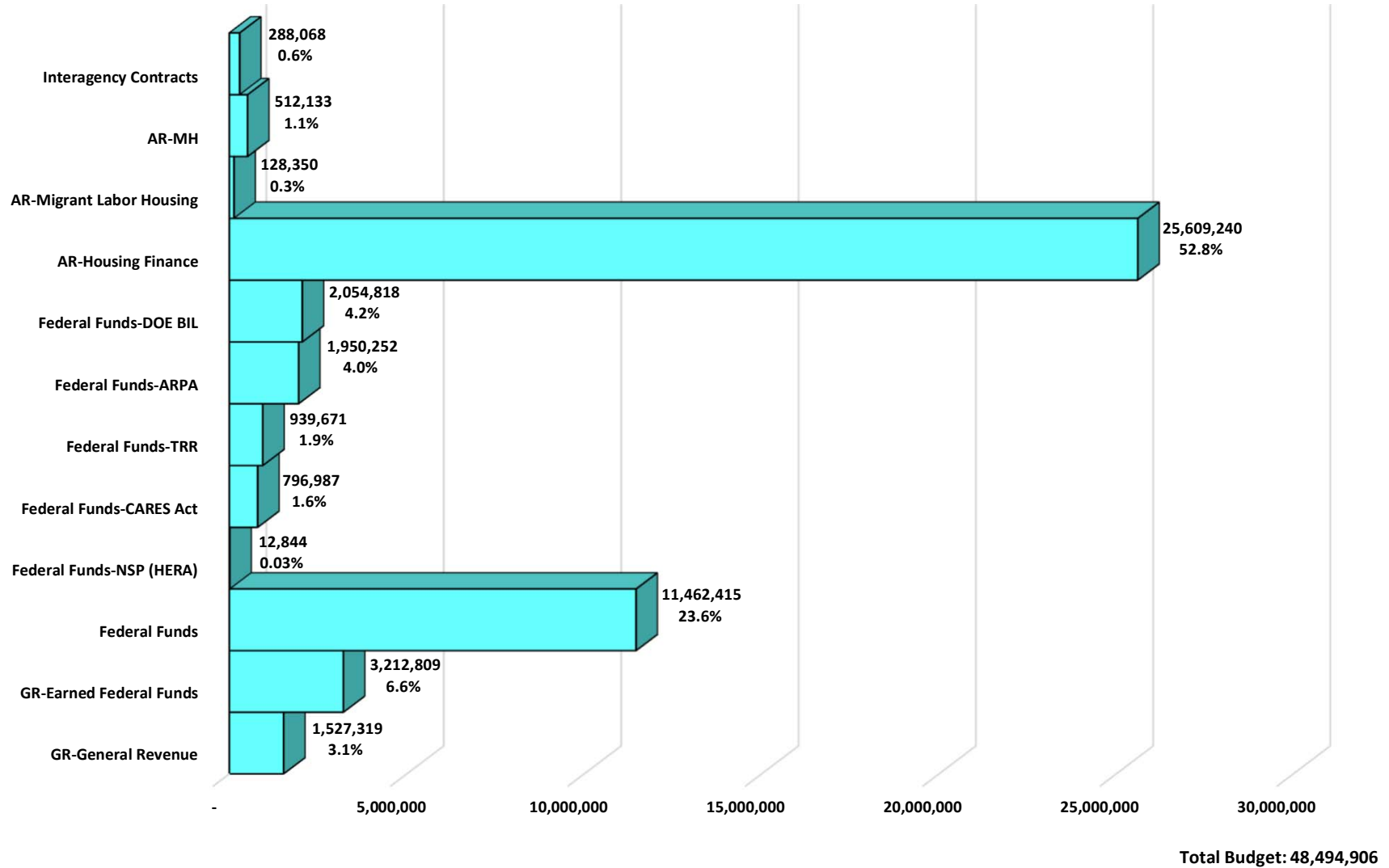
**TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS SFY-2026 OPERATING BUDGET**

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

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**Texas Department of Housing and Community Affairs
SFY 2026 Method of Finance**



Agency Wide - By Method of Finance

September 1, 2025 thru August 31, 2026

Budget Categories							Appropriated Receipts	Interagency Contract	MH		Total
	General Revenue	Federal Funds	CARES Act	CRBRA	ARPA	BIL WAP			Appropriated Receipts		
Salaries	3,114,381	6,221,568	614,148	586,014	1,516,262	1,207,170	15,711,582	182,398	405,066		29,558,590
Payroll Related Costs	747,451	1,493,176	147,396	140,643	363,903	289,721	3,770,780	43,775	97,216		7,094,062
Travel In-State	40,447	153,850	8,000	143	3,156	15,828	278,027	2,000	-		501,450
Travel Out-of-State	3,810	60,682	3,000	357	6,961	33,547	97,923	-	-		206,280
Professional Fees	564,813	2,445,486	-	117,130	36	316,733	3,088,915	55,903	-		6,589,016
Materials/Supplies	48,381	36,947	3,000	487	1,628	5,144	195,873	1,000	-		292,461
Repairs/Maintenance	131,359	533,980	5,000	2,380	6,283	6,116	740,341	-	-		1,425,458
Printing and Reproduction	2,707	1,858	-	-	51	1,056	16,689	-	-		22,361
Rental/Lease	11,244	8,910	-	42	50	5,621	107,622	-	-		133,490
Membership Dues	1,731	32,199	-	-	-	20,223	60,071	-	-		114,224
Staff Development	14,235	53,962	2,000	286	9,916	13,347	121,505	-	-		215,250
Insurance/Employee Bonds	113,781	117,964	9,330	8,960	13,615	18,274	419,239	2,962	9,851		713,976
Employee Tuition	1,019	-	-	-	-	-	3,481	-	-		4,500
Advertising	-	2,250	-	-	-	100,000	4,000	-	-		106,250
Freight/Delivery	2,163	1,959	100	100	770	100	28,634	-	-		33,825
Temporary Help	18,012	106,747	-	78,519	20,081	10,335	235,687	-	-		469,381
Furniture/Equipment	2,248	120,799	-	86	3,601	2,116	228,394	-	-		357,244
Communications/Utilities	43,894	81,606	5,000	4,491	3,897	9,490	473,878	-	-		622,256
Capital Outlay	-	-	-	-	-	-	-	-	-		-
State Office of Risk Management	6,803	1,314	12	32	40	-	26,601	30	-		34,832
Total	4,868,477	11,475,258	796,987	939,672	1,950,254	2,054,818	25,609,240	288,068	512,133		48,494,906
Budget by Method of Finance, 2025	3,906,039	10,410,392	1,421,775	1,899,060	7,270,464	3,109,919	22,140,542	281,881	511,204		50,951,274
Variance from 2025	962,438	1,064,867	(624,788)	(959,388)	(5,320,210)	(1,055,101)	3,468,699	6,187	927		(2,456,369)



Texas Department of Housing and Community Affairs

Audit & Finance Committee

Board Action Request

File #: 1046

Agenda Date: 6/12/2025

Agenda #: 3.

Presentation, discussion, and possible action on the SFY 2026 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 2026 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 2026 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 2026 Housing Finance Division Budget, which the Board is being asked to approve, is \$25,609,240. 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, 2025 thru August 31, 2026

Budget Categories	Executive Administration	Agency Administration	Program Controls and Oversight	Bond Finance	Programs	Capital Budget	Payroll Related Costs	Total
Salaries	2,084,325	4,030,511	7,271,345	1,506,884	818,517			15,711,582
Payroll Related Costs	-	-	-	-	-		3,770,780	3,770,780
Travel In-State	51,465	8,815	192,186	17,000	8,560			278,027
Travel Out-of-State	30,030	4,946	35,810	22,000	5,137			97,923
Professional Fees	152,208	109,819	379,065	201,493	9,698	2,236,631		3,088,915
Materials/Supplies	20,578	64,938	79,061	17,787	13,509			195,873
Repairs/Maintenance	35,833	170,097	202,976	45,140	13,920	272,375		740,341
Printing and Reproduction	2,793	2,861	5,035	5,000	1,000			16,689
Rental/Lease	54,561	16,162	22,401	11,071	3,427			107,622
Membership Dues	50,513	2,456	7,102	-	-			60,071
Staff Development	22,043	35,722	45,775	15,250	2,714			121,505
Insurance/Employee Bonds	45,984	131,750	189,366	34,520	17,619			419,239
Employee Tuition	-	981	2,500	-	-			3,481
Advertising	1,500	2,500	-	-	-			4,000
Freight/Delivery	1,857	7,705	14,972	3,850	250			28,634
Temporary Help	147,551	19,452	34,806	30,376	3,502			235,687
Furniture/Equipment	3,750	7,254	10,247	1,600	2,412	203,132		228,394
Communications/Utilities	63,587	81,094	177,457	115,686	36,053			473,878
Capital Outlay	-	-	-	-	-	-		-
State Office of Risk Management	2,318	9,744	11,694	1,568	1,277			26,601
Total	2,770,894	4,706,809	8,681,798	2,029,225	937,597	2,712,138	3,770,780	25,609,240

Method of Finance:

Single Family Bond Administration Fees	2,934,647
Multifamily Bond Administration Fees	1,245,879
Compliance Fees	4,155,894
Housing Tax Credit Fees	5,573,244
Asset Management Fees	1,274,755
Subtotal:	15,184,419
Central Support Single Family Bond Administration Fees	744,879
Central Support Multifamily Bond Administration Fees	899,530
Central Support Compliance Fees	4,762,812
Central Support Housing Tax Credit Fees	3,365,121
Central Support Asset Management Fees	652,478
Subtotal:	10,424,820
Total, Method of Finance	25,609,240



Texas Department of Housing and Community Affairs

Audit & Finance Committee

Board Action Request

File #: 1018

Agenda Date: 6/12/2025

Agenda #: 4.

Presentation and discussion of Internal Audit of Rent Approval function of Asset Management division at TDHCA, Report # 25-003

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Internal Audit of the Rent Approval function of Asset Management Division

Audit Report # 25-003

Executive Summary

The Office of Internal Audit (OIA) performed an audit of the Rent Approval function of Asset Management Division, to assess and evaluate the internal controls over activities related to this function, as well as to evaluate accuracy and compliance of the approval process with applicable rules and regulations.

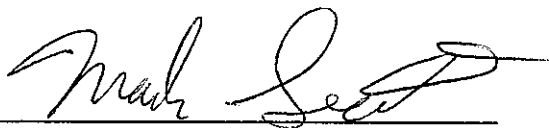
Based on our review and testing, the Rent Approval function seems to be operating effectively in reviewing and approving annual Rent Applications and requests. We identified some areas for improvement and made recommendations to staff. Details of our recommendations, and management responses, are included in the report.

Observations and Recommendations

- OIA recommends that management ensure that an accurate and up-to-date SOP is always available for the function.
- OIA recommends that the Asset Management division establish a secondary review process for a sample of applications that have been reviewed and approved by staff on a quarterly basis, to identify any possible errors or opportunities for training for staff.
- OIA recommends that Asset Management division establish a process in which the Compliance Monitoring section is notified of properties and developments that are out of compliance with Rent Approval requirements on a quarterly or annual basis. This information can be helpful to Compliance division during their annual risk assessment process.
- OIA recommends that management review staff work on a regular basis to ensure consistency and compliance in their response time to developments' applications.
- OIA recommends that Asset Management division regularly review and revise, as necessary, all the information and documents available on its webpage, related to the Rent Approval process, in order to ensure compliance and avoid potential misunderstandings among the developments.

Objective, Scope, and Methodology

Our scope included a review of the Texas Administrative Code (Section 10.403 of the Rules in 10 TAC Chapter 10), applicable CFRs (24 CFR 219, 252, and 302), Post Award Activity manual, and SOP related to Rent Approval activities. We also conducted interviews with several division staff and performed testing and analysis of the processes involved in receiving, reviewing, and approving developments' annual rent requests.



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

5/16/25
Date Signed



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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May 16, 2025

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 Rent Approval function of the Asset Management Division

Dear Board Members:

This report presents the results of the Office of Internal Audit ("OIA") "*Audit of the Rent Approval function of the Asset Management Division at TDHCA*". This audit was conducted in accordance with applicable audit standards. It included the objectives of 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. The Rent Approval function was identified during the fiscal year 2025 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, applicable CFRs, function specific SOP, internal documents such as the Post Award Activity manual, and other applicable rules and regulations. We conducted interviews with several division staff and performed testing and analysis of the processes involved in receiving, reviewing, and approving annual rent requests.

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 Rent Approval function seems to be operating effectively in reviewing and approving annual rent approval applications and requests. 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 the 2013 HOME Final Rule, 24 CFR §92.252(f), TDHCA is required to review and approve or disapprove the proposed rents for TDHCA HOME, Neighborhood Stabilization Program (NSP), TCAP-RF and National Housing Trust Fund (NHTF) Multifamily property rents on an annual basis to ensure compliance with the HOME Rent Limits. The Department is also required by 24 CFR §92.219 and §92.252(d)(2) to approve rents for HOME Match units. In accordance with the CFR, only Direct Loan programs where Commitment of Funds occurred on or after August 23, 2013, and construction is complete are required to submit annual rent approvals.

The Asset Management Division at TDHCA is responsible for monitoring and processing all post-award activities for developments involving Housing Tax Credits, HOME funds, National and State Housing Trust Funds, and Neighborhood Stabilization Program (NSP) funds. If the Development is required to submit annual rent reviews, the request must be submitted to Asset Management division no later than August 1st of each year. Rents will be evaluated and approved based on submission of the Annual Rent Approval Request packet within 30 days of their submission if the application and all required exhibits have been received. A copy of the approval letter will be uploaded to the Development's CMTS profile by the assigned asset manager.

C. Scope and Methodology

Our scope included a review of the Texas Administrative Code (Section 10.403 of the Rules in 10 TAC Chapter 10), applicable CFRs¹ (24 CFR 219, 252, and 302), Post Award Activity manual, and

¹ Code of Federal Regulations

SOP related to Rent Approval activities. We also conducted interviews with several division staff and performed testing and analysis of the processes involved in receiving, reviewing, and approving developments' annual rent requests. The result of our reviews and testing is provided in the Testing section of the report.

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.

At the start of this audit the division did not have a SOP specific to the activities under Rent Approval function. However, the division was able to prepare and provide an executed SOP during the audit.

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
25-003.01	OIA recommends that management ensure that an accurate and up-to-date SOP is always available for the function.	Ongoing	Rosalio Banuelos / Lee Ann Chance

Management Response

The SOP will be reviewed periodically and updated as necessary to keep it accurate and up to date.

D. Roles and Responsibilities

Development Owners

The 2013 HOME Final Rule (§92.252(f)(2)) requires developer of HOME assisted rental project to seek approval of TDHCA on their proposed rents on annual basis to ensure compliance with the HOME Rent Limits. This process is also required for multifamily properties funded by the Neighborhood Stabilization Program (NSP), the National Housing Trust Fund program (NHTF), and TCAP-RF. Rent requests must be entered for any HOME, NSP, NHTF Development, or TCAP-RF Development where Commitment of Funds occurred on or after August 23, 2013. Rent requests are due for these Developments by no later than August 1st of each year.

Development Owners must use the Rent Approval Tool Excel file located on the Asset Management webpage, on TDHCA website, to submit their Annual Rent Approval request packet. The annual rent approval packet consists of the completed Excel file and the attachments specified in the Post Award Activities manual. The completed Rent Approval Tool Excel file and required attachments must be submitted to the Department electronically and by the established deadline.

Asset Management division

The Asset Management Division is responsible for monitoring and processing all post-award activities for developments involving Housing Tax Credits, HOME funds, National and State Housing Trust Funds, and Neighborhood Stabilization Program (NSP) funds. The annual rent approval process is an administrative function handled by the asset managers. Currently, the Asset Management Division has 12 employees, consisting of one director, a manager, nine asset managers, and an administrative assistant. The asset managers are further classified by level of seniority. There are two Senior Asset Managers, three Asset Managers, and four Associate Asset Managers. One of the Associate Asset managers positions is currently vacant. Each asset manager is assigned to one or more than one state regions and is responsible for approving rents for the properties in their assigned regions.

After a HOME Rent Review request is submitted by the development, and the required documents are uploaded to Asset Management's webpage, the assigned Asset Manager will review the information and submit an approval or disapproval notification to the contact person identified in the Rent Approval packet within 30 days of receiving all required items. Development owners and representatives are required to maintain copies of all approval letters at the development site to be available for review at the time of Compliance Monitoring reviews. Compliance monitors will conduct an in-depth review of rent and utility allowance practices for each development at the time of compliance monitoring reviews.

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
25-003.02	OIA recommends that the Asset Management division establish a secondary review process for a sample of applications that have been reviewed and approved by the staff on a quarterly basis to identify any possible errors or opportunities for training for staff.		

Management Response

Adding a secondary review for this function may not be feasible or efficient, especially considering that no errors were identified by this audit based on the sample tested. While a

second review would provide additional assurance, staff's time must be used efficiently given the large workload of the division.

Compliance Division

The Compliance Monitoring section of the Compliance division is tasked with routine monitoring of the properties under TDHCA's preview to ensure their compliance with applicable rules and regulation. The monitoring efforts are guided by the following objectives: Performance, Expenditure of HTF monies, Compliance, Prevention of Fraud and Abuse, and Quality Workmanship.

The Compliance Division is indirectly involved in the HOME, NSP, NHTF Rent Approval process, as they monitor all the properties in the TDHCA's portfolio on regular basis. They issue their report after each monitoring visit that includes findings of noncompliance, if any, for properties that have not obtained the Department's annual approval for rents. If the development does not comply with the rules in addressing any and all compliance findings, including rent approval, the Compliance monitors will make a referral to the Enforcement Committee for further action. Enforcement Committee has the authority to recommend debarment of a developer after exhausting all available options and determining that the development is out of compliance.

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
25-003.03	OIA recommends that Asset Management division establish a process in which Compliance Monitoring section is notified of the properties and developments that are out of compliance with Rent Approval requirements on quarterly or annual basis. This information can be helpful to Compliance division during their annual risk assessment process.	12/1/2025	Rosalio Banuelos / Lee Ann Chance

Management Response

Asset Management staff will review the list of properties that need a rent review and notify the Compliance Division annually of developments that are out of compliance with Rent Approval requirements.

E. Testing and Recommendations

For this audit we randomly selected 30 properties that are subject to Rent Approval requirements to review and test for accuracy, completeness, and their compliance with applicable rules and regulations. The review included verification of response time to the development by the staff

after receipt of Rent Approval packet, Rent limit established for each funding source, Utility allowance, and other necessary documentation included in the packet.

Based on our reviews and testing, we found that in eight cases the staff response time / approval notice to the developments was greater than 30 days, which is the timeline established in the guidelines. In the same sample we identified two developments that were missing Rent Approval packets and approval letters for 2022, four developments for 2023, and two developments for 2024.

In reviewing the rent approval packets and the manual we also identified documents that needed to be revised to reflect the current rules.

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
25-003-04	OIA recommends that management review staff work on a regular basis to ensure consistency and compliance in their response time to developments' applications.	Ongoing	Rosalio Banuelos / Lee Ann Chance
25-003.05	OIA recommends that Asset Management division regularly review and revise all the information and documents available on its webpage, related to the Rent Approval process, to ensure compliance and avoid potential misunderstandings by the developments.	Ongoing	Rosalio Banuelos / Lee Ann Chance

Management Response

Asset Management division staff will monitor response times to try to remain compliant with the requirements in the rules, and if necessary, the rules will be amended to provide staff additional processing time. Also, the information on the webpage will be reviewed annually to determine if any revisions are needed.

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 Asset Management division and its staff for their cooperation and assistance during this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Scott", with a stylized flourish at the end.

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 #: 1019

Agenda Date: 6/12/2025

Agenda #: 5.

Presentation and discussion of Internal Audit of the Travel activities at TDHCA, Report # 25-004

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Internal Audit of the Travel activities at TDHCA

Audit Report # 25-004

Executive Summary

The Office of Internal Audit (OIA) performed an audit of the Travel activities at TDHCA, to evaluate and assess its processes and procedures, as well internal controls and rules related to travel activities and transactions.

Based on our review and testing, the travel activities at TDHCA appear to be managed properly and in compliance with applicable laws and requirements. We had observations related to training and training materials and made recommendations to management. Details of our recommendations are included in the report.

Observations and Recommendations

- OIA recommends that management review and revise all available materials related to travel expenses on a regular and on-going basis and offer more in-depth training to staff.

Objective, Scope, and Methodology

Our scope included a review of the applicable TX Gov's Code (Section 660), related SOPs, and manual and training materials available on the TDHCA intranet. We also sent out a brief survey to all TDHCA employees and management in order to evaluate their understanding and knowledge of the travel and expense report requirements; and performed testing on a selected number of travel-related transactions to ensure accuracy and completeness of back-up documentation.



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

5/23/25
Date Signed



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May 23, 2025

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

RE: Internal Audit of the Travel activities at TDHCA

Dear Board Members:

This report presents the results of the Office of Internal Audit ("OIA") "*Audit of the Travel activities at TDHCA*". This audit was conducted in accordance with applicable audit standards. It includes the objectives of assessing and evaluating the internal controls related to the travel activities and transactions; and reviewing back-up documentation for accuracy, completeness, and compliance with applicable rules and regulations. Travel activities were identified during the fiscal year 2025 risk assessment and rated high on the risk assessment matrix due to lack of any recent internal audits of the function.

For this audit we reviewed applicable TX Gov Code (Section 660), related SOPs, and manual and training materials available on the TDHCA intranet. We also sent out a brief survey to all TDHCA staff to evaluate their understanding and knowledge of the travel and expense report requirements.

This report includes the following sections:

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

A. Overall Results

Based on our review and testing the travel activities at TDHCA appear to be managed properly and in compliance with applicable laws and requirements. We had observations related to training and training materials and made recommendations to management. Details of our recommendations are included in the latter section of this report.

B. Rules and Requirements

TX Gov Code Chapter 660, Travel Regulation Act, governs the procedures, amounts, timing, limits, required documentation, permissible payees, distinctions among different types of state employees, and all other details concerning travel expense payments or reimbursements by a state agency. Employees are entitled to reimbursement of certain travel expenses required by the Department to conduct official state business. The amount of reimbursement is subject to certain limitations as prescribed by Texas Government Code, Chapter 660, the General Appropriations Act and rules adopted by the Texas Comptroller.

The Texas Comptroller of Public Accounts created Textravel¹ to provide information on state travel laws and rules to state-agency employees. State agencies are required to properly train employees on travel regulations and keep them informed of any changes in travel rules, and ensure that all travel reimbursements are examined before payments are made, in order to ensure compliance with all applicable regulations and limitations.

TX Gov's Code, Sec 660.029 (a)

"A state agency shall instruct its state employees about this chapter, the travel provisions of the General Appropriations Act, and the rules adopted by the comptroller under this chapter".

State agencies are required to reimburse an employee for travel expenses no later than 45 days after the employee submits a complete and accurate travel voucher.² TX Gov's Code, Sec 660.007, requires state agencies to minimize the amount of travel expenses reimbursed, by

¹ fmx.cpa.texas.gov/fmx/travel/textrave/index.php

² TX Gov's Code, Sec 600.019

ensuring that each travel arrangement is the most cost-effective, considering all relevant circumstances. Agencies are solely responsible for enforcing their own internal policies, which may specify a travel expense reimbursement rate that is less than the maximum rate allowed by law.

C. Scope and Methodology

Our scope included a review of the applicable TX Gov's Code (Section 660), related SOPs, and manual and training materials available on TDHCA intranet. We also sent out a brief survey to all TDHCA employees and management in order to evaluate their understanding and knowledge of the travel and expense report requirements and performed testing on a selected number of travel related transactions to ensure accuracy and completeness of back-up documentation.

D. Roles and Responsibilities

State Employees

State employees must ensure that their travel expenses comply with applicable laws and rules and must not seek reimbursement for travel expenses that the employee should reasonably know are not reimbursable. Employees should select the most cost-effective method of transportation available to conduct official state business.

TDHCA

The Department must properly train employees on travel regulations and keep them informed of any changes in travel rules. The Department must ensure that all travel reimbursements are examined prior to payment, in order to ensure compliance with all applicable regulations and limitations.

Management

Management is responsible for informing employees of all travel policies and procedures and ensuring that employees plan travel in the most efficient and cost-effective manner, considering all relevant circumstances. Direct managers review and electronically authorize and approve travel expenses prior to employee departure through electronic submission of a Travel Authorization (TA) form.

State Travel Management Program (STMP)

STMP staff negotiate and administer statewide contracts with travel suppliers, including travel card systems, airlines, rental car companies, lodging providers, and travel agencies. All state employees are required to use the state contracts unless an approved exception condition exists. Exception could include lower cost than the contracted travel services, or unavailability of contract travel services for a specific location or during a specific time.

Travel Coordinator (Travel Auditor)

The travel coordinator is responsible for reviewing each expense report for compliance with the Department's SOP, Textravel and STMP travel rules and regulations. The completed expense report is then submitted to the Financial Services Manager for final review and release to the Texas Comptroller for payment.

Texas Comptroller

The Comptroller is required by law to properly audit all claims submitted for payment. Therefore, travel-payment transactions are subject to audit regardless of amount or materiality.

E. Testing and Recommendations

For this audit, we requested the list of all travel related transactions, in-state and out of state, from the beginning of fiscal year 2025 until the start of our testing (September 1st 2024 – April 22nd 2025). We randomly selected 17 transactions that were more than \$200. The selected sample consisted of 13 in-state and four out of state transactions. The sample was reviewed for accuracy, completeness of documentation, and compliance with applicable laws. OIA did not identify any areas of non-compliance in the selected sample.

The Texas Comptroller of Public Account performed a Post-Payment audit of TDHCA in 2021, which resulted in two findings related to travel activities and transactions. We included those two findings in our testing attributes for our selected sample and found that the recommendations and corrective actions have been implemented. The two findings were:

- Missing Amount Change Approval
- Missing Proof of Payment

We also conducted an anonymous online survey through SurveyMonkey to gain an understanding of employees' experience with Travel Authorization and Expense Report processes, and their knowledge and comfort level with the rules and requirements. The results were mostly positive and Financial Administration staff, specifically the travel coordinator, were praised for their hard work and dedication in helping employees with their expense reports. Another common denominator in the responses we received was related to employees' knowledge of the processes and requirements. The majority expressed their need for additional training and more clear guidance on how to complete and submit their expense reports. It appears that corrections to submitted expense reports are common and employees expressed their desire to learn more about documentation requirements to ensure that their expense reports are complete and accurate when submitted, and to avoid the need for corrections. We received several comments related to more in-depth training and training materials. The travel coordinator has informed us, at the beginning of this audit, that he was in the process of preparing a new set of training Power Point presentations for employees, that would be more detailed than the current one and would explain the process step by step.

In reviewing the travel related materials available on the intranet, we noticed that some materials are outdated, and some links don't work anymore. Although the correct materials and links can be accessed directly online, and staff seems to be using the correct information in processing travel expenses, it would be beneficial to have up-to-date information available on the Department's intranet.

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
25-004.01	OIA recommends that management review and revise all available materials related to travel expenses on regular and on-going basis, and to offer more in depth trainings to staff.	August 31, 2025	Manager of Financial Services

Management Response

Management acknowledges the observation regarding the need for more in-depth training for staff on travel expense documentation and the importance of maintaining updated materials on the intranet. Management will expedite the development of updated training materials and ensure that all relevant links and resources are current and accessible to staff. Additionally, management will reinforce the importance of submitting complete and accurate travel documentation to reduce the frequency of corrections and streamline the review process.

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 Financial Administration management and staff for their cooperation and assistance during this audit.

Sincerely,



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 #: 1037

Agenda Date: 6/12/2025

Agenda #: 6.

Report on the status of Internal and External audit activities