



## TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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### Texas Department of Housing and Community Affairs Office of Internal Audit Audit Plan for Fiscal Year 2024

#### Statutory and Professional Standards Requirement

The Texas Internal Auditing Act (Texas Government Code, §2102.005) requires state agencies to conduct a program of internal auditing. The *International Standards for the Professional Practice of Internal Auditing (IA Standards)* define Internal Auditing as an “independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

The Texas Government Code and the *IA Standards* require internal auditors to develop an annual audit plan, using risk assessment techniques, that identifies individual audits to be conducted during the year. The Code requires that the plan be approved by the state agency's governing board or by its administrator, if the agency has no governing board.

The program of internal auditing is carried out by the Office of Internal Audit (OIA) which serves at the direction of the Governing Board. The OIA has prepared this audit plan for consideration and approval by the Governing Board.

#### Development of the Annual Audit Plan

The Fiscal Year 2024 plan is designed to cover areas of highest risk to the State and the agency; however, it does not cover all risks. TDHCA management should utilize internal controls and other appropriate methodologies to mitigate residual risks not covered by the audit plan.

The annual audit plan was developed using a risk based methodology which included:

- Obtaining management's and the Governing Board's perspectives through surveys and discussions.
- Consulting with the State Auditor's Office and other oversight bodies.
- Reviewing prior TDHCA meeting minutes, audit report findings and recommendations, and budgetary information.
- Evaluating information about key agency business areas, processes, and systems.
- Considering input from internal audit staff.
- Utilizing a matrix whereby identified auditable units were ranked according to standard risk factors.

The budgeted hours for all projects are based on two staff auditors and the Director of Internal Audit.

### **Projects for Fiscal Year 2024 Annual Audit Plan**

We have identified the following projects for inclusion in the 2024 Annual Audit Plan based on our annual risk assessment of the auditable units. The project numbers are for identification purposes and may not correspond to the order in which the projects are performed. Also included below is a brief description of functions to be reviewed.

#### **New Audit Projects:**

##### **1. Program Services**

Program Services Section facilitates adherence to the rules regarding processing and completion of federal mandates and departmental requirements affecting a variety of programs administered by the Department. These mandates and requirements include: Environmental Review & Clearances, Employment opportunities for Low-Income People, Loan closings, Quality Assurance and federal funds. Compliance with federal mandates can affect release of funds and future program eligibility. This function rated high on the annual risk assessment due to lack of any prior audits, as well as recommendation for review from management.

##### **2. Compliance Monitoring (Multifamily)**

The Compliance Monitoring section of Compliance Division is responsible for long-term compliance with the multifamily housing programs funded by the TDHCA. Compliance monitors conduct reviews to evaluate compliance with income and rent limits as well as other requirements including social services and affirmative marketing. Compliance monitors conduct reviews at least once every three years. In addition, the Compliance Monitoring section reviews each property's Annual Owner's Compliance Reports as required under Chapter 2306 of the Texas Government Code and other federal regulations. The Compliance Monitoring section provides training for owners and managers.

This division rated high on the annual risk assessment due to its importance in ensuring compliance with applicable laws for multiple programs at TDHCA. The Compliance monitoring division was last audited to OIA in 2016.

### **Asset Management Division:**

The Asset Management Division is responsible for monitoring and processing of 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 Post Award Activities manual outlines the procedures and instructions for completing activities including the 10% Test, Construction Status Reports, Cost Certification, LURA Origination, LURA Amendments, Application Amendments, and Ownership Transfers. The following three units rated high on the annual risk assessment due to lack of any prior audits, as well as their importance in ensuring proper processes and approval and for each state of the construction process.

#### **3. Construction Status Report**

Construction Status Reports must be submitted by all multifamily developments (HOME, NHTF, TCAP, 9% HTC, 4% HTC/BOND) that are currently in construction. The submission of construction status reports continues on a quarterly basis until the entire development is complete, and evidence of completion, which are Certificates of Occupancy for each building, AN AIA G704, or the Final AIA G702/3 or equivalent, is received by the Department.

#### **4. Handling of Amendments and Transfers**

The Asset Manager evaluates each amendment request and determines if the change constitutes a notification, requires Executive Director's approval, or is a change that must be approved by the TDHCA Board. Additional information may be requested by Department staff in order to properly evaluate and process the request.

#### **5. Ownership Transfers**

All multifamily Development Owners must provide written notice and a completed Ownership Transfer packet to the Department at least 45 calendar days prior to any sale, transfer, or exchange of the Development or any portion of or Controlling interest in the Development

#### **6. Grant Accounting**

This area is vital in performing proper accounting for the revenue and expenses related to grants. There is a high volume of transactions, some of which can be complex. This area has not undergone a recent internal audit.

### **Carry Over Project**

Homeowner Assistance Fund (HAF); CliftonLarsonAllen LLP (CLA) selected to perform audit of Homeowner Assistance Funds program during fiscal Year 2023. OIA paused this audit to avoid any interference with CLA's reviews and audit. After conclusion of CLA's audit of HAF program OIA will evaluate and determine if a further review of the program is necessary.

### **Administrative and Statutory Projects:**

- Review of TDHCA compliance with appropriation riders and other requirements of the Government Code
- Annual Audit Plan and reporting
- Annual tracking of the implementation status of prior audit recommendations
- Coordination and review of complaints related to possible Fraud, Waste, and Abuse

### **Consulting Projects and External Audit Coordination**

Pursuant to the TDHCA internal audit charter, the OIA performs consulting activities for the agency. For fiscal year 2024, OIA is providing consulting services related to the new Grant Guidance in 2 CFR 200, as well as sub-recipient monitoring.

OIA also coordinates and advises on external audit activities.

Sincerely,

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

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