TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
An Internal Audit of the Section 811 Project Rental Assistance Program
Audit Report # 20-004

Executive Summary

The Office of Internal Audit (OIA) reviewed TDHCA's Section 811 Project Rental Assistance Program, its internal controls, and policies and procedures that are currently in place. Based on our reviews and testing, the OIA concludes that the Section 811 Project Rental Assistance (PRA) Program operates in compliance with applicable rules. In the five years since inception, the Program accomplished the following:

- Texas leads the nation within participating states with number of households served of 485 and available rental units of 570
- Trained and positioned 34 Referral Agencies with multiple agents from HHSC
- Accepted 3,196 applications leading to 485 housed with 2,165 on the waiting list
- Contracted with 148 properties to offer highly subsidized, affordable housing for the eligible targeted population
- Worked closely with Information Systems, Financial Administration, Multifamily Finance, and Compliance to modify current processes, administrative rules and systems to administer the Program which requires both property and tenant level coordination
- Fully committed the first $12M FY2012 award successfully as of April 2020

The OIA has identified the following recommendations to strengthen user access controls and improve efficiency of operations.

Observations and Recommendations

1. OIA recommends that the Section 811 PRA program establish updated, signed and dated SOPs for key processes to create consistency and efficiency for all parties involved in the program.
2. OIA recommends the development of a business case for presentation to the IS Steering Committee for certain aspects of the program such as applicant referrals from the waitlist and online applications.
3. OIA recommends that Information Systems review the current infrastructure that serves as the base for the CMTS Section 811 PRA module to provide upgrade or replacement options.
4. OIA recommends that Information Systems determines and implements the best available method of segregating Manufactured Housing employees from access to TDHCA specific program information, especially that which includes private applicant level data.
5. OIA recommends that Information Systems creates a new method of access to the underlying data within the system to limit access to the appropriate users defined by the Program.
6. OIA recommends that the process of reviewing and inputting applications ensures that initial rejection letters for age or income are sent to the applicant timely.
7. OIA recommends the creation of policy in consultation with HHSC to address appropriate approval of the Verification of Disability.
8. OIA recommends that the application for Section 811 PRA Program assistance be updated and simplified for future applications.
9. OIA recommends that the waitlist management process be reviewed and other procedures considered for efficiency and continued effectiveness, such as verification of certain information prior to referral rather than while on the waitlist.
10. OIA recommends that Financial Administration evaluate automating the manual process of inputting property owner payments utilizing data files provided by Blueprint.
11. OIA recommends the periodic review of access lists of critical systems to ensure appropriately restricted access to processing and information.

Response:

Management agreed with our recommendations. Detailed responses are included in the body of the report.

Objective, Scope and Methodology

Our scope included a review of the Texas Government Code (TGC), as well as the Texas Administrative Code (TAC) applicable to the program. Based upon our preliminary understanding of the Section 811 PRA Program, we identified critical points and risks, and developed our audit objectives accordingly.

Mark Scott

Mark Scott, CPA, CIA, CISA, CFE, MBA
Director, OIA

6/1/2020
Date Signed

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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June 1, 2020

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

RE: INTERNAL AUDIT OF THE SECTION 811 PROJECT RENTAL ASSISTANCE PROGRAM

Dear Board Members:

This report presents the results of the Office of Internal Audit ("OIA") "*Review of the Section 811 Project Rental Assistance (PRA) Program*." This audit was conducted in accordance with applicable audit standards. It included the objectives to evaluate and explain the Section 811 PRA Program and to evaluate the administrative and internal control procedures related to the program.

The Section 811 PRA Program rated high on the risk assessment and was included in the approved Fiscal Year 2020 audit work plan because the program has not been audited since inception in 2015, in addition to its perceived susceptibility to fraud.

This report is divided into the following sections:

A. Background
B. Noteworthy accomplishments
C. Scope and methodology
D. Roles and responsibilities of each party in the Section 811 PRA program
E. Processes and flow of transactions
F. Testing and review
G. Other audit work

A) Background

Persons with physical disabilities, intellectual or developmental disabilities, or severe mental illnesses face difficulty in finding suitable housing together with supportive services so they can live as active members of their community. For these individuals, it can be difficult to find accessible units if needed; some may face discrimination in searching for housing; and due to lower participation in the workforce and lower incomes, availability of housing and services is relatively low. As a result of these limitations, persons with disabilities have historically had difficulty finding housing, and may unnecessarily live in restricted settings such as nursing homes, psychiatric hospitals, or board and care homes rather than living independently. Those not living in such facilities may still live in group homes or small multifamily housing developments dedicated to persons with disabilities instead of on their own in the community. Many people living in the community are cost-burdened.

National recognition of the need for appropriate housing for persons with disabilities occurred after the 1999 Supreme Court decision in the case of *Olmstead v L.C.* in which two women who had spent years in a psychiatric hospital argued that their institutionalization constituted discrimination under the Americans with Disabilities Act. The Supreme Court agreed, finding that "states are required to provide community-based treatment for persons with mental disabilities when the State's treatment professionals determine that such placement is appropriate, and the placement can be reasonably accommodated." In response to the decision, the federal government worked in cooperation with the states to fund programs that would ensure full participation in society of persons with disabilities. In 2010, Congress passed the Frank Melville Supportive Housing Investment Act, which amended Section 811 of the Cranston Gonzalez National Affordable Housing Act of 1990 to establish a new project rental authority providing funding to state housing agencies via grants from the Department of Housing and Urban Development. Section 811 PRA provides rental assistance to properties on behalf of assisted tenants, and development funding is provided to property developers via multifamily development programs operated by State Housing Finance Agencies, which includes Low Income Housing Tax Credits administered by the Internal Revenue Service.

As the key housing agency for the state, the Department elected to implement the Section 811 Project Rental Assistance (PRA) program with its initial awards in the 2012 and 2013 HUD Notice of Funds Available (NOFA) of approximately $12M each. The Program provides project-based rental assistance for extremely low-income persons with disabilities linked with long term services. The Program is made possible through a partnership between TDHCA, the Texas Health and Human Services Commission (HHSC), the Department of Family and Protective Services and eligible multifamily properties. The Section 811 PRA program creates the opportunity for persons with disabilities to live as independently as possible through the coordination of voluntary services and providing a choice of subsidized, integrated rental housing options. To date, the Program has housed over 485 households across Texas and is the leader among participating states in both households served and funds fully committed from the FY2012 grant. The Program is currently focusing on committing the FY2013 funds and is hopeful to receive additional grant awards from HUD's FY2019 NOFA and the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020.

B) Noteworthy Accomplishments

The Section 811 PRA Program, created in 2015, is relatively new to the Department and has come with many built-in challenges from the complexity and layers of rules and regulations, the number of partnerships that must be established and nurtured, and the vulnerability of the target population. Over the five years since the Program started, the team accomplished the following as of current date:

- Texas leads the nation within participating states with number of households served of 485 and available rental units of 570
- Trained and positioned 34 Referral Agencies with multiple agents from HHSC
- Accepted 3,196 applications leading to 485 housed with 2,165 on the waiting list
- Contracted with 148 properties to offer highly subsidized, affordable housing for the eligible targeted population
- Worked closely with Information Systems, Financial Administration, Multifamily Finance, and Compliance to modify current processes, administrative rules and systems to administer the Program which requires both property and tenant level coordination
- Fully committed the first $12M FY2012 award successfully as of April 2020

With very few resources and only high level requirements from HUD, the team designed a Program that has been decidedly effective in meeting its goal of housing as many of the eligible population as the grants will allow.

C) Scope and Methodology

Our scope included a review of applicable portions of the Texas Government Code and TDHCA Board resolutions, as well as the program's Standard Operating Procedures (SOPs). Based upon our preliminary understanding of the Section 811 PRA Program we identified critical points and risk, to develop audit objectives and an audit program including methodology.

We reviewed the Section 811 PRA Program's goals, processes, and roles and responsibilities. We reviewed the controls related to the Program and tested certain transactions and controls. The Texas Internal Auditing Act, Tex. Gov't Code §2102.005 requires auditing of a state agency's major programs and systems.

Standard Policies and Procedures

An SOP is a procedure specific to the operation of a division that describes the activities necessary to complete tasks in accordance with applicable rules and regulation. It defines expected practices in a process where quality standards exist. SOPs play an important role in any organization and division as policies, procedures and standards needed to operate in a successful way. They can create efficiencies, consistency and reliability, fewer errors, and value added to the division.

As the program moves from the start-up phase into a period of sustainability, the Section 811 Program team has been working on standardizing processes and documenting them into SOPs. Many of the key processes reviewed had draft SOPs in progress.

Observation

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
20-004.01	Internal Audit recommends that the Section 811 PRA program establish updated, signed and dated SOPs for key processes to create consistency and efficiency for all parties involved in the program.	8/31/2020	Director of Section 811 PRA Program

Management Response

The Section 811 Program acknowledges this recommendation, is committed to finalizing all draft SOPs, and will ensure that all key processes operate under finalized signed and dated SOPs. Program staff have identified 14 key processes that should be articulated under a formalized SOP. Two of the 14 SOPs are fully complete and in place while the remaining are in draft form only. Program staff will complete the remaining draft processes as final signed and dated SOPs no later than August 31, 2020. These 12 Section 811 Program Key Processes Include:

CMTS Updates With IS	Adding/Removing Serv-U Users	TRACS Voucher Approval
Conflict Management and Tenant Complaints	Owner Participation Agreement Reassignments	Unit Projections and Tracking of Expenditures
Handling Program Reasonable Accommodation Requests	PRA Portfolio Management	Wait list Closure
RAC Management	Special Claims for Vacancy	Risk Mitigation Fund

D) Roles and Responsibilities of each party in the Section 811 PRA Program

- **TDHCA Staff**
  The Section 811 PRA program consists of four operational staff: a Director, program coordinator, program specialist and program liaison. The team has grown from two to four staff as program was awarded additional funding and increased the number of households served. This team completes all administrative activity related to the program including application intake and updates, waitlist management, voucher review and approval, budget review, property owner/manager contracting, and customer service/communication to the various partners of the Program.

  The Section 811 PRA program is supported in the Financial Administration division by the Grant Accounting team to manage the payments flow from HUD to the property owners/managers and by Information Systems, primarily due to the use of the Contract Monitoring and Tracking System (CMTS) which includes a module specifically for managing elements of the program.

  The Compliance and Monitoring team also supports the program to ensure that Section 811 Program properties are in compliance with HUD and TDHCA program rules requirements. They perform both desk reviews and onsite visits in tandem with the ongoing schedule of reviewing properties participating in the Department's Multifamily Programs.

- **Health and Human Services Agencies (Referral Agents)**
  Health and Human Services Agencies are the gatekeepers in referring applicants to the Section 811 PRA Program. Their responsibilities under the Program are defined in an Interagency Agreement between TDHCA and HHSC. These individuals are responsible for identifying and assisting appropriate applicants to refer to subsidized, independent housing.

- **Blueprint (Technology Vendor)**
  Blueprint is a component of the City of Austin which has become a trusted vendor in the low income housing data processing space. The vendor has the technology needed to submit both financial vouchers and recertification of income eligibility from the participating properties to HUD's processing system, Tenant Rental Assistance Certification System (TRACS), in the file formats required. Blueprint performs validation checks on the data as required by HUD as well.

- **Property Manager / Owner**
  Property owners and managers are committed to the Program via Owner Participation Agreement and Rental Assistance Contracts with TDHCA. They are ultimately responsible for ensuring tenant compliance with the Program rules, HUD income limits, and their own tenant selection plans, which are reviewed by the Department.

E) Processes and Flow of Transactions

The Section 811 PRA Program commenced with a partnership between TDHCA and HHSC as a strong preferential qualifier of HUD's FY2012 NOFA announcement. The Interagency Cooperative Agreement dated July 25, 2012 established a formal structure for continued collaboration to establish and implement the Program. The agreement outlined roles and responsibilities, detailed the target populations to be served, described the agencies' respective commitments to provide voluntary services to tenants, and sets forth the methods for outreach and referral. The specific policies and procedures have evolved over time with a focus on continuous improvement and communication among the parties. The Section 811 PRA Program is unique to the Agency in that it manages not only property engagement but is also involved with identifying tenants and bringing many parties together to meet its primary goal of housing the most vulnerable population.

In conjunction with annual Multifamily Low-Income Housing Tax Credit efforts, participation in the Section 811 program was an option provided to property owners/developers. Requirements included but are not limited to restrictions regarding age, income and number of committed units. Several properties were identified and contracted to the Program in QAP years 2015 to 2019. The Program has its own Participation Agreement that is signed by the Property Owner in which the property is committed to signing the Rental Assistance Contract and receiving referrals upon request of the Department. While working to obtain property commitments, the Section 811 team was also coordinating through the HHSC agencies to identify applicants who could benefit from independent living. This was a slow process at first, but once training was created and provided and Referral Agents (RAs) became more familiar with and embraced the Program, applications for consideration of independent living arrangements from the targeted population exploded and there are now over 2,000 potential tenants on its waiting list. Because of this overwhelming demand, the Program has been forced to close the waitlists to new applicants for some regions it serves.

The waitlist and underlying tenant information is tracked in the Section 811 PRA module in CMTS. This module was built using the Real Choice Systems grant awarded to the State of Texas in 2012. At the time of implementing this system, business requirements were changing rapidly and Information Systems developed the module within the current structure of CMTS, which is one application in the suite of systems commonly referred to as the Central Database (CDB). Since that time, IS has been working with Program staff on continuous improvements. Some components of the underlying architecture of the system are outdated as well as the version of the application programming language in which it is built. IA determined this by interviewing IS and Program staff, reviewing emergency production access requests to the system, review of the Program's technology requests list as well as gaining an understanding of the manual versus automated processes within the Program. As a result, and as the program has matured, the system has not proven as flexible as required for the complexity of the processes involved. This has led to excessive manual processing and workarounds, use of fields in the system for different purposes than originally defined, and multiple spreadsheets and databases required to manage the Program.

Because of the reliance on these critical databases and spreadsheets, and the privacy concerns relative to applicant/tenant level data, IA reviewed the network access to these resources. IA found that there were user groups defined to some of these resources that had excessive and inappropriate access, primarily the default user group "Domain Users" which includes all TDHCA and Manufactured Housing employees. This default Active Directory (AD) security group has list and/or read access into the shared drives that include Section 811 Program data, as well as modify access into the shareable database drives.

IA also examined open 2019 work requests with IS submitted by the Program that had not been resolved. IA reviewed a request opened in October 2019 to restrict access to sensitive data that the Access databases utilize for Program reporting.

Observations

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
20-004.02.a	Internal Audit recommends the development of a business case for presentation to the IS Steering Committee for certain aspects of the program such as applicant referrals from the waitlist and online applications.	8/31/2020	Director of Section 811 PRA Program
20-004.02.b	Internal Audit recommends that Information Systems review the current infrastructure that serves as the base for the CMTS Section 811 PRA module to provide upgrade or replacement options.	7/31/2020 12/31/2020	Director of Information Systems
20-004.02.c	Internal Audit recommends that Information Systems determines and implements the best available method of segregating Manufactured Housing employees from access to TDHCA specific program information, especially that which includes private applicant level data.	8/31/2020	Director of Information Systems
20-004.02.d	Internal audit recommends that Information Systems creates a new method of access to the underlying data within the system to limit access to the appropriate users defined by the Program.	12/31/2020	Director of Information Systems, Director of Section 811 PRA

Management Responses

20-004.02.a – Program Management acknowledges the recommendation and to the extent that the module activities addressed in the response below warrant, staff will submit a request for system changes to the IS Steering Committee. If needed, Program will submit this request to the IS Steering Committee by August 31, 2020.

20-004.02.b - ISD management acknowledges the observation. ISD staff have been working with Section 811 staff since December 2019 to make improvements to the current system and began the process of creating a custom module for Section 811. In December 2019 ISD staff met with Section 811 staff and were made aware of limitations and inefficiencies in the current system. ISD with Section 811 staff input decided on a two prong approach to resolve the issues. First ISD would work with Section 811 staff and make improvements to the current system. ISD staff have completed six work orders since December to implement the improvements and have two recently opened work orders for additional improvements. These improvements have increased the efficiency of the system and decreased the application process time for Section 811 staff. Secondly, ISD staff worked with Section 811 staff to gather requirements for creating a new module within CMTS specifically designed for the Section 811 program and has begun the process of coding the new module. This effort is currently in progress.

20-004.02.c - ISD management acknowledges the recommendation and will evaluate the best way to segregate Manufactured Housing (MH) and TDHCA employees on Microsoft Windows file servers folder security. ISD will implement custom security groups to further protect Personally Identifiable Information (PII) from unintended access.

20-004.02.d – ISD management acknowledges the recommendation. ISD was previously working on steps to resolve this issue. ISD is taking a multi part approach to resolve the issue. The first step was changing the account password. This step has been completed. The second step is working with agency staff at a divisional level to gather information about the type of access they need to CDB data. ISD staff was working on this step, but due to COVID-19 priorities work on this step has been paused for the moment. The third step will be creating individual accounts for each division and working with divisional staff to transition to the new accounts. The fourth step will be removing access from the original account. This will be the last step. As ISD is now in a better position with COVID 19 demands we will continue making progress on this project. Program Management will coordinate with the IS Division however they need to ensure the appropriate system access.

Applications for the Program are only accepted if submitted by an HHSC authorized RA. The applications are uploaded into TDHCA's Serv-U file sharing system and reviewed by the Section 811 Program team, with all data input into CMTS manually and any deficiencies in the paperwork sent back to the RA for resolution. Information gathered on the application includes designation of disability to determine the applicant's placement of target population, thus qualifying the applicant for the Program; HUD required forms including consent to access certain personal information and Verification of Disability that is similar to the target population information on the first part of TDHCA's application; and information regarding income, current living status, and other personal details of the applicant. The forms require signatures of the applicant, referral agent and other licensed medical personnel throughout.

Internal Audit reviewed multiple applications when validating the tenant application and waitlist management process. There were inconsistencies in the paperwork and upon closer review IA determined that the application is overly complex and redundant at times, potentially causing confusion to the applicant and/or RA. In addition, IA noted that there were required forms which expire within 15 months of signature, some of which had expired at the point of review. In some instances, it appeared that the RA, who often filled out the application, was also signing off on the Verification of Disability which is required by HUD and provides the ultimate validation of the applicant's status. Lastly, due to the backlog of applications, some applicants that should have been rejected outright due to age or income did not receive rejection letters until six or more months from application.

Since CMTS is the primary system utilized by the Program, IA reviewed multiple layers of user access to Section 811 functions within the system and found that access was appropriately granted.

Observations

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
20-004.03.a	Internal Audit recommends that the process of reviewing and inputting applications ensures that initial rejection letters for age or income are sent to the applicant timely.	8/31/2020	Director of Section 811 PRA Program
20-004.03.b	Internal Audit recommends the creation of policy in consultation with HHSC to address appropriate approval of the Verification of Disability.	6/1/2020	Director of Section 811 PRA Program
20-004.03.c	Internal Audit recommends that the application for Section 811 PRA Program assistance be updated and simplified for future applications.	8/31/2020	Director of Section 811 PRA Program

Management Responses

20-004.03.a – Program Management acknowledges this observation and will further evaluate its application intake review and acceptance/rejection process. Any identified areas of improvement will be integrated into appropriate SOPs by August 31, 2020. In addition, the process of reviewing and inputting applications, and ensuring timely rejections, if warranted, is already improving as the Program closes waiting lists and as the Referral Agent network becomes more experienced (reducing the number of ineligible applicants).

20-004.03.b – Program Management acknowledges this recommendation and has already been working with HHSC and DFPS to establish a new policy on who can sign the Verification of Disability form. This guidance will be provided to the Referral Agent network on May 29, 2020.

20-004.03.c – Program Management acknowledges this observation and is committed to continuous improvement of the Program Application. Program staff will review the current version of the application and will finalize an updated version, if needed, by August 31, 2020.

Due to the high demand for independent housing by the targeted populations, the Program has implemented procedures to review, update and manage the waiting list. On a periodic basis, applicants that have been on the waiting list for a specified time frame and have not had a recent update to their application are contacted via the RA and/or directly to confirm that they want to remain on the waiting list and that contact information is current. Waitlist management is a new process and will evolve based on the feedback the Program receives. Because of the vulnerability of the population, the Program makes every attempt to keep the applicants on the waitlist if possible, so the applicant has many chances to remain. Currently, the reasons an applicant may be removed from the waitlist are that the applicant is no longer eligible for the Program, the applicant requests to be removed, or the applicant has lost contact with the RA and TDHCA-initiated direct contact to the applicant based on information from the RA or application information residing in CMTS has been unsuccessful.

Internal Audit observed that while the waitlist management procedures were followed effectively, the process is tedious and time consuming. Because the properties are ultimately responsible for verifying income and other Program and HUD requirements, eligibility other than the applicant's target population status and the ability to contact are all revalidated by property managers at the time of referral for housing.

Observation

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
20-004.04	Internal Audit recommends that the waitlist management process be reviewed and other procedures considered for efficiency and continued effectiveness, such as verification of certain information prior to referral rather than while on the waitlist.	8/31/2020	Director of Section 811 PRA Program

Management Response

Program Management acknowledges 20-004.04 and will reevaluate the current waitlist management process and the applicant timeline. Streamlined processes will be reflected in updated SOPs and implemented no later than August 31, 2020.

Property managers are required by the Participation Agreement to notify the Program when vacancies exist so that new applicants may be referred to the property. The property data in CMTS includes a property level waitlist that TDHCA staff utilizes to determine which applicants should be referred to the vacancy. TDHCA refers several individuals in order of the waitlist so that the property may continue pursuing a tenant if the first applicant does not respond or qualify. The Program often directly assists the RAs and applicants during the property tenant selection process to request reasonable accommodations and coordinate among the parties.

Once approved, the property manager executes a HUD approved Section 811 tenant lease directly with the tenant which allows the property to house the applicant. To begin receiving Project Rental Assistance, the property must execute a Rental Assistance Contract, record the Use Agreement and establish itself in HUD Secure Systems. It will then be able to submit a monthly voucher, which is the request for payment. This request for payment must come in the form of an electronic voucher that is sent to TDHCA's vendor, Blueprint. Blueprint receives all the individual voucher files from the participating properties, performs validation checks and accumulates them into a total payment voucher. Once reviewed and approved by Program staff, Blueprint sends the voucher information to HUD in its specified format and requests release of funds from HUD's secure system, eLOCCS.

HUD releases payment directly to TDHCA, and Financial Administration (FA) allocates these funds to property owners using internal invoices. Each invoice specifies funds to be paid to each property owner (as some may have multiple properties participating in the Program). Both the total of the Section 811 PRA grant by NOFA award year and the individual Rental Agreement Contract totals by property are monitored by FA to ensure that payment requests will not exceed the amounts allocated by grant or by contract. TDHCA receives administrative payments for the cost of administering the Program which FA requests directly from HUD using eLOCCS based on current budget needs.

The amounts from the grant are reported on the financial statements as an income and related expense item. The amount due to properties is booked into an account payable and related cash account that is reconciled along with all other sub-recipients of TDHCA grants. TDHCA does not maintain cash balances for the Section 811 grant; payments to the property owners are made within a few days of receiving the award from HUD.

IA noted that the process of inputting each property owner for payment requires a vendor number for the PeopleSoft invoice payment system that is not included on the vouchers created by Blueprint. FA manually looks up each vendor number based on RAC numbers, and in one instance a payment was sent to the wrong vendor and had not been found through secondary review. The property owner contacted Program staff, and the accounts were adjusted the following month with no further issue. A manual process requires acceptance of some level of risk, and IA does not consider this instance significant. However, as the Program continues to receive grants and additional funds from HUD, a greater number of properties will increase the complexity of the process. Based on further discussion, IA found that the FA team already uses a file upload for another Program that involves a large number of payees. Similar automation for the Section 811 related input could streamline this process and minimize risk of human error.

Because the HUD-based information systems, TRACS and eLOCCS, are utilized by Blueprint and TDHCA employees to track and process these payments, IA reviewed the access list for these critical systems. IA noted that three employees who had terminated or no longer required access were on the access list.

Observations

Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
20-004.05a	Internal Audit recommends that Financial Administration evaluate automating the manual process of inputting property owner payments utilizing data files provided by Blueprint.	8/31/2020	Director of Financial Administration
20-004.05b	Internal Audit recommends the periodic review of access lists of critical systems to ensure appropriately restricted access to processing and information.	8/31/2020	Director of Section 811 PRA Program

Management Responses

20-004.05a – Financial Administration acknowledges this observation. The Grant Accounting section currently processes approximately 60 Section 811 vouchers. The current automated process, the Section 8 Multivendor file upload, currently processes approximately 500 vouchers. This customized program is specific to parameters of the Housing Choice Voucher Program (Section 8). Management will evaluate the Multivendor file upload process to determine what modifications are necessary and determine if they will be cost effective.

20-004.05b – Program Management acknowledges this observation and is reviewing all critical systems to ensure appropriately restricted access to processing and information. Once complete, updated user access lists will be sent to IS to limit the number of users who can access each critical system. This work will be complete no later than August 31, 2020.

The Compliance and Monitoring Division regularly monitors the Section 811 PRA Program compliance requirements by desk reviews and physical inspection as outlined in the Participation Agreement and Program rules. Because the final tenant selection and ongoing eligibility reviews are completed by the property managers, continual monitoring provides assurance that the properties are following TDHCA Program rules as well as HUD requirements.

The Section 811 PRA Program has accomplished many of its initial goals by building an infrastructure to attract and successfully identify both the suppliers of affordable housing, property owners and the consumers of it, applicants in the targeted population. As the Program moves into a period of sustainability, the team maintains several ongoing projects to address current system limitations or improvement opportunities to coordinate with both external and internal parties. IA encourages this focus on continuous improvement and review for efficiencies within Program administration along with better outcomes for tenants.

F) Testing and Review

As part of our audit we reviewed multiple records and transactions from both an applicant/tenant and property owner/manager perspective. Reviewing the transactions included the origination of the activity via applicant application to the program and property owner contracting with TDHCA, tracking them within the processes noted above and through to the accounting systems and processes. Transaction Flow Review documents are included at the end of this report for the major processes evaluated in the audit scope (See Exhibit A). We reviewed IRS and HUD rules, Texas Administrative Code, TDHCA rules and the qualified allocation plan, as well as Division level policy, procedures and SOPs to ensure consistency. Based on our reviews, the function of the Section 811 PRA Program is effective and maintains compliance to the rules under which it operates. In addition, the risk of potential fraud to the Program is mitigated by the detailed review of tenant information and qualifications by many parties independent of each other including HHSC, TDHCA Program staff, Property Managers, HUD and TDHCA Compliance Division staff.

G) Other audit work

This is the first comprehensive internal audit of the Section 811 PRA Program's processes and controls. TDHCA contracts with the Texas State Auditor's Office ("SAO") to conduct annual financial statement audits of the Revenue Bond Program. The latest audit was issued in December 2019 and stated that the financial statements were presented in accordance with Generally Accepted auditing Principles ("GAAP"). As part of that audit, SAO reviews Information Systems general controls. Blueprint is a subsidiary of the Housing Authority of the City of Austin, and that entity goes through a Single Audit every year which is submitted with the biennial Request for Proposal.

OIA extends our sincere appreciation to the Directors of the Section 811 PRA Program, Information Systems, and Financial Administration and their respective teams for their cooperation and assistance during the course of this audit.

Sincerely,

Mark Scott

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

MS, NS, SN

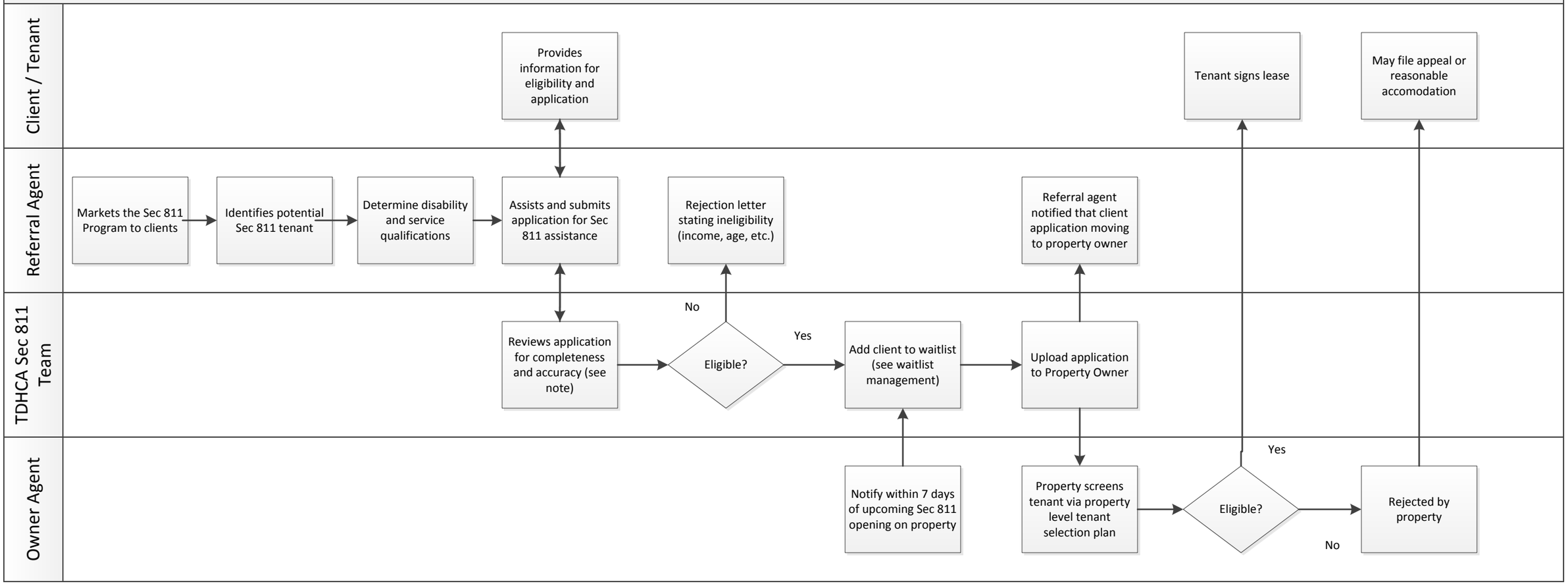
Exhibit

A

TDHCA Section 811 PRA Application Process

Exhibit A

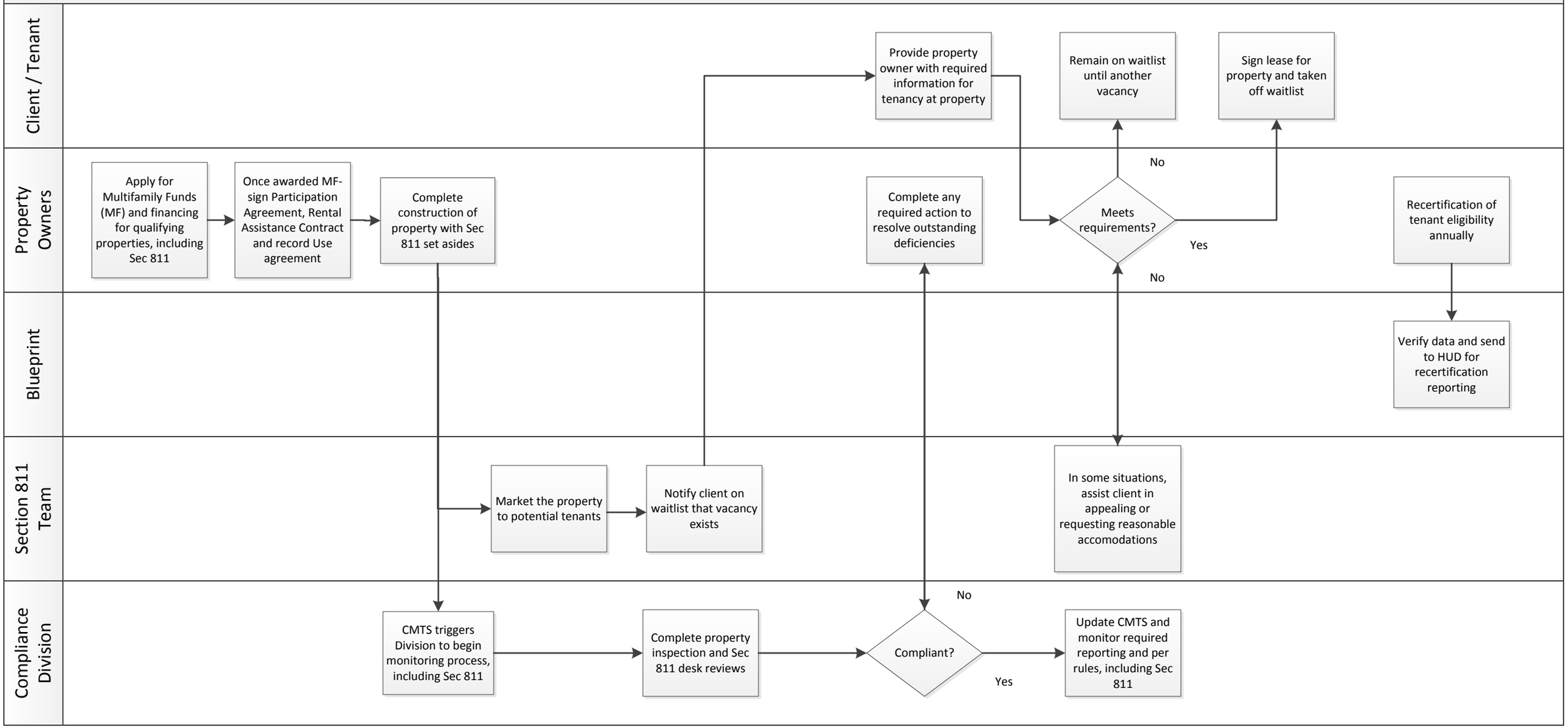
Prepared by Suzi Nelson



Notes:
- Currently application is fillable PDF and requires upload to TDHCA via ServU. IS working on ability to key directly into Section 811 module of CMTS.
- Waitlist management is required due to demand exceeding supply of eligible living spaces.
- The Referral Agent is key to originating the application process and can be from one of the following:
1. HHSC Relocation Contractors and Managed Care Organizations for nursing home residents
2. HHSC Local Authority Coordinators for persons exiting institutions
3. Local Mental Health Authorities for those with mental illness
4. DFPS via child protective services caseworkers for those existing foster care
5. The Sec 811 properties may also refer potential tenants
- Upon submission, TDHCA reviews for completeness and provides feedback to Referral Agent. RA has 30 days to cure any deficiencies.

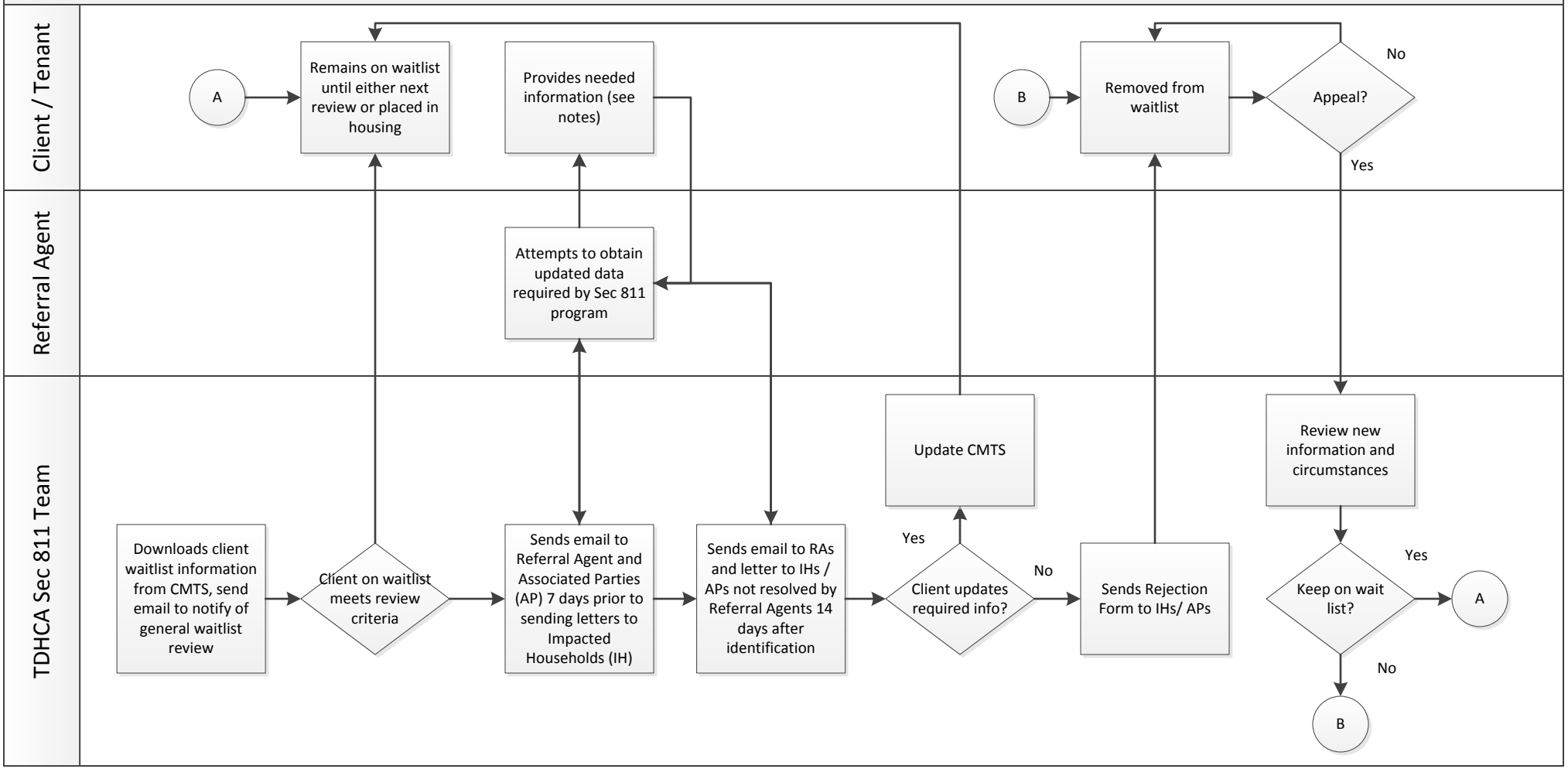
TDHCA Section 811 PRA Owner / Developer Selection and Monitoring Process

Prepared by Suzi Nelson

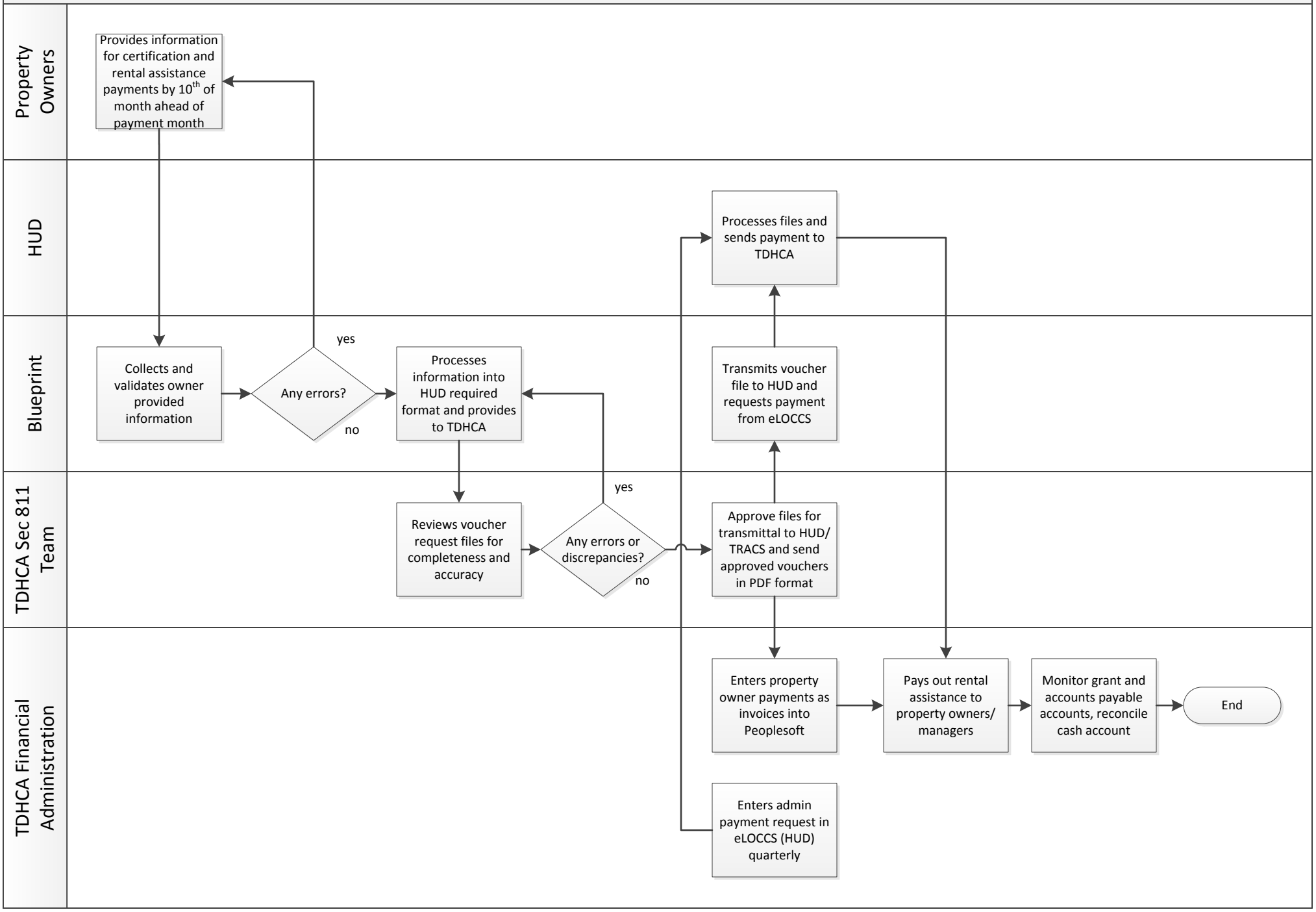


TDHCA Section 811 PRA Quarterly Waitlist Management Process

Prepared by Suzi Nelson



Notes:
-Currently criteria for review is that contact information not updated in more than 182 days AND client on waitlist for more than 730 days. (Impacted Households)
- Waitlist management is required due to demand exceeding supply of eligible living spaces.
- The Program requires updated information as noted:
1. Confirmation or update of Associated Party contact information
2. Confirmation or update of Impacted Household's contact information
3. Determination if Impacted Household desires to stay on waitlist
4. Whether Impacted Household would like to be added to more waiting lists available to the County in which client resides
5. Request for removal, moving from Texas, or death of client will remove client from waitlist.
- Sec 811 staff performs continual updates of application data when received from any authorized party.

TDHCA Section 811 PRA Voucher Processing

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