

**Texas Department of Housing and Community Affairs**  
**Internal Audit Annual Report – Fiscal Year 2022**

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**I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on Internet Web Site**

The Internal Audit Division’s internet web page (<http://www.tdhca.state.tx.us/internal-audit.htm>) includes:

- An overview of the Internal Audit Division and its mission statement,
- The Internal Audit Division’s most recent peer review (October 2017),
- Standards, statutes and rules governing the operation of the Internal Audit Division:
  - Texas Government Code Chapter 2102: Texas Internal Auditing Act ([www.statutes.legis.state.tx.us](http://www.statutes.legis.state.tx.us)),
  - Texas Government Code 2306.073: Internal Audit ([www.statutes.legis.state.tx.us](http://www.statutes.legis.state.tx.us)),
  - Internal Audit Charter (updated June 2018), and
  - Internal Audit Board Resolutions (amended January 2014),
- Internal Audit Annual Plan for Fiscal Year 2023 (Pending Board approval)<sup>1</sup>,
- Internal Audit Annual Report for Fiscal Year 2022, and
- Internal Audit Reports.

Findings noted while performing the Fiscal Year 2022 audit plan are included in the respective Fiscal Year 2022 audit reports. The actions taken by the agency to address the noted concerns are also included in those reports.

**II. Internal Audit Plan for Fiscal Year 2022**

<b>Project / Audit Title</b>	<b>Report Number</b>	<b>Completed</b>	<b>Report Date</b>
Information Technology General Controls	22-001	Yes	March 2, 2022
Previous Participation Review	22-002	Yes	March 3, 2022
Texas Homeownership Program	22-003	Yes	June 6, 2022
Follow up Audit of Physical Inspection Section of TDHCA Compliance Division	22-004	Yes	June 7, 2022
Information Technology Application Controls	22-005	Yes	August 24, 2022
Follow up Audit of Migrant Labor Housing facilities Inspection and licensing	22-006	Yes	August 22, 2022

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Follow up review of SAO’s Audit of Manufacture Housing Division’s inspection and licensing	N/A	No	Carry over to FY2023
Texas Rent Relief (TRR) Program – Procurement of Administrative Contracts	22-007	No	See comment below*
Internal Audit Report on the Prior Audit Findings and Recommendations.	22-008	Yes	October, 31 2022
Annual Self-Assessment	20-009	No	In process

*\* The State Auditor’s Office selected two contracts related to TRR program for audit. The engagement letter was received on September 27<sup>th</sup>, 2022, and the anticipated date for release of the report is April 2023. OIA paused audit of TRR –Procurement of Administrative Contracts to avoid any interference with SAO’s reviews and audit.*

**III. Consulting Engagements and Non-audit Services Completed**

**Consulting Project Related to Subrecipient Monitoring**

This project has included regular meetings for the Internal Audit Director to provide management with advice on Single Audits (formerly referred to as A-133 audits) of TDHCA subrecipients. The group meets, as needed, to go over single audits that have findings and/or other issues, and to prepare the management responses to the audits that are required by the Single Audit Act.

**Coordination of External Audit Activities**

There have been several external audits of TDHCA during the past year, and the Office of Internal Audit provides coordination services during the course of these audits. The most recent audits were the SAO audits of the TDHCA’s Annual Financial Statements, Annual audit of bond activity and compliance with Public Investment act, and SAO audits of HUD data, including an “in relation to” financial data audit and an internal control audit. The SAO has also started an audit of the Texas Rent Relief (TRR) Program’s contract procurement processes. In addition, CliftonLarsonAllen LLP (CLA), performed audits of Low Income Housing Energy Assistance Program (LIHEAP) and Texas rental relief program.

**IV. External Quality Assurance Review (Peer Review)**

The Department’s Internal Audit Division received its most recent peer review in Fiscal Year 2018. The peer review was started in September 2017 and completed in October 2017. The following excerpt is from the executive summary of that report.

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*“It is our overall opinion that the Internal Audit Department at TDHCA generally conforms to the IIA’s Standards and the Code of Ethics for the period of January 1, 2016 through September 30, 2017. There were no opportunities for improvement identified that would be considered reportable items.*

*The IIA’s quality Assessment Manual for the Internal Audit Activity suggests a scale of three rankings when opining on the internal audit activity: “Generally Conforms,” “Partially Conforms,” and “Does Not Conform.” The ranking of “Generally Conforms” means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards and the Code of Ethics.*

*The Internal Audit Department is independent, objective and has unrestricted access to systems and records. The Internal Audit management and staff are professional and possess the appropriate skills to effectively perform their audits. Internal Audit projects are effectively executed and results are communicated timely.”*

The Office of Internal Audit has submitted budget request for LAR to procure a Peer Review in this fiscal year.

**V. Internal Audit Plan for Fiscal Year 2023 (Pending Board Approval)**

Activity/Program/Division	Comments
Homeowner Assistance Fund	The specific project objective(s) and scope will be determined by the detailed assessment of relative risks identified during the project planning process.
HOME Tenant Based Rental Assistance (COVID-19) Funds	
HOME Disaster Relief Funds	
Community Development Block Grant (CDBG) / CDBG CARE	
Texas Bootstrap Loan Program	
Staff Services	
Texas Statewide Homebuyer Education Program (TSHEP) and Texas Homebuyer U	
Follow up Review of SAO’s Audit of the Manufactured Housing Division’s inspection and licensing	Carry over from FY 2022
Management Requests or Special Projects	As requested
Duties related to Fraud, Waste, and Abuse allegations	Internal Audit is responsible for reviewing allegations of fraud, waste and abuse.
Prior Audit Issues Tracking, Follow Up and Disposition	Required by the Audit Standards
Annual Risk Assessment and Audit Plan Development	Required by the Audit Standards and the Texas Internal Auditing Act
Continuing Professional Education and Staff Development	Required by the Audit Standards
Quality Assurance Self-Assessment Review	Required by the Audit Standards

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Coordination with External Auditors and Oversight Agencies	Ongoing requirement
Preparation and Submission of the Annual Internal Audit Report	Required by the Texas Internal Auditing Act
Annual Review and Revision of Internal Audit Charter	Required by the Audit Standards

The audit plan is a dynamic document that may change during the fiscal year as circumstances change. Requests from management, changes in audit resources and changes in the agency's organization or operations could result in changes to the plan. Significant changes will be presented to management, the Audit and Finance Committee and the Governing Board for review and approval.

The audit plan was developed utilizing a risk-assessment matrix, and input from stake-holders. The auditable units such as programs, divisions of the organization, and administrative functions, were risk-ranked according to attributes such as dollar size of unit, fraud risk, and complexity of operations. The highest ranked auditable units were selected for audit. There are no internal audit projects specifically focused on Senate Bill 20 Provisions. However, the Audit of Homeowner Assistance Fund (HAF) may include review of large contracts in its scope.

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

**VI. External Audit Services**

In Fiscal Year 2021, external audit services were procured from and provided by the State Auditor's Office. These services included an audit of the Department's Annual Financial Report and Computation of Unencumbered Fund Balances. Texas Rent Relief Program procured Deloitte-Touche to perform Quality Assurance work for the program.

**VII. Reporting Suspected Fraud, Waste, and Abuse**

The Department's home page ([www.tdhca.state.tx.us](http://www.tdhca.state.tx.us)) has an active link to the State Auditor's Office's fraud, waste and abuse hotline, as well as the hotline phone number for the State Auditor's Office.

The Department has policies and procedures in place to report suspected fraud, waste and abuse to the State Auditor's Office as required by the Texas Government Code, Section 321.022. The Executive Director is responsible for deciding, based on input from others, whether an incident warrants investigation, and is also responsible for the decision as to whether or not an incident should be reported to the State Auditor's Office. The Internal Auditor is responsible for investigating such incidents as requested by the Executive Director and as approved by the Chair of the Audit and Finance Committee. The Internal Auditor is also responsible for consulting with the general counsel or ethics advisor about whether an incident

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meets the “reasonable cause to believe” criterion for reporting an incident to the State Auditor’s Office and for advising the executive director as appropriate. All Department employees are also responsible for reporting to their division directors any incidents or matters of which they become aware that may require a report to the State Auditor’s Office.

The Department regularly reports cases of suspected fraud, waste and abuse to the State Auditor’s Office in addition to the Department’s other oversight agencies such as the Department of Housing and Urban Affairs’ Office of the Inspector General, the Department of Energy’s Office of the Inspector General, and the Department of Health and Human Services’ Office of the Inspector General.

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<sup>i</sup> The Internal Audit Annual Plan for Fiscal Year 2023 will be posted on Division’s internet web page after Board approval on December 8, 2022.