TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
An Internal Audit of the HOME Disaster Relief Fund and Tenant Based Rental Assistance program, Audit Report # 23-004

Executive Summary

The Office of Internal Audit (OIA) performed an audit of the HOME Disaster Relief Fund and Tenant Based Rental Assistance (TBRA) program, its processes and procedures in administering the program, as well as internal controls and applicable rules and regulations. Based on our review and testing, the HOME Disaster Relief Fund and Tenant Based Rental Assistance Program (TBRA) seem to be operating effectively in assisting eligible Texans during natural and man-made disasters, as well as Persons with Disability (PAW). We've identified two areas for improvement as described in the detailed report.
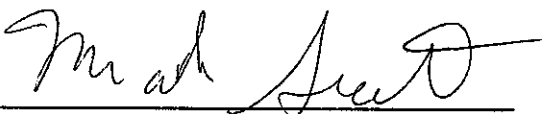
Observations and Recommendations

- OIA recommends that the program establish an online training sessions, such as pre-recorded training sessions, to provide continuous assistance to the Administrators and their staff.
- OIA recommends that the program management perform a periodic review of access permissions to program folder that contains applicants' personal information.

Management Response

Management agreed overall with the report but accepted the risk on our recommendations and determined that the current processes are sufficient. Detailed responses are included in the body of the report.

Objective, Scope and Methodology

Our scope included a review of the applicable Texas Administrative Codes (TACs), 24 CFR Part 92, Program specific Standard Operating Procedures (SOPs), and other applicable rules and regulations, including waivers related to COVID 19 pandemic. We evaluated internal controls related to the operation of the program, and performed one-on-one interviews with some of the key staff involved with the operation of the program. We also conducted testing and review of the documents and records related to the Administrators and the applicants.

Mark Scott

8/23/23

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

Date Signed

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

RE: Internal Audit of the HOME Disaster Relief Fund and Tenant Based Rental Assistance Programs

Dear Board Members:

This report presents the results of the Office of Internal Audit ("OIA") *"Internal Audit of the HOME Disaster Relief Fund and Tenant Based Rental Assistance Programs (TBRA)."* This audit was conducted in accordance with the applicable audit standards. It included the objectives to review and assess the operation of the program, and evaluate the internal controls currently in place related to the program. The Internal Audit of the HOME Disaster Relief Fund and Tenant Based Rental Assistance Program was identified during the fiscal year 2023 risk assessment, and rated high on the risk assessment matrix due to lack of recent audits of the program, and the additional funding that the program received during COVID 19 pandemic to assist eligible Texans effected by the pandemic.

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For this audit we reviewed Texas Administrative Codes (TAC) Chapter 1, Chapter 7, Chapter 23[1], 24 CFR Part 92, Program specific Standard Operating Procedures (SOPs), and other applicable rules and regulations, including various waivers granted to the program during COVID 19 pandemic. We also reviewed and evaluated the Program's internal policies and procedures, including processing of Administrators' applications and providing support and training to their staff.

This report includes the following sections:

A. Overall Result
B. Background
C. Scope and Methodology
D. Roles and Responsibilities
E. Testing and Recommendation

A. Overall Results

Based on our review and testing, the HOME Disaster Relief Fund and Tenant Based Rental Assistance Program (TBRA) seem to be operating effectively in assisting eligible Texans during natural and man-made disasters, as well as Persons with Disability (PAW).

We've identified some areas for improvement as described in the detailed report.

B. Background

The Texas HOME Disaster Relief Program is a long-term housing program designed to help eligible organizations serve income eligible households impacted by disasters. HOME Disaster Relief funds are available to assist with federal or state declared disasters, or other natural or man-made disasters that may occur. It is funded through set-aside from the HOME Program which provides access to funds for Homeowner Reconstruction Assistance (HRA), and Tenant Based Rental Assistance to eligible organizations, known as Administrators. The Tenant-Based Rental Assistance program funds local organizations that provide rental subsidies, utility assistance, and security deposit assistance to individuals in their local communities.

C. Scope and Methodology

Our scope included a review of the applicable Texas Administrative Codes (TACs), 24 CFR Part 92, Program specific Standard Operating Procedures (SOPs), and other applicable rules and regulations, including waivers related to COVID 19 pandemic. We evaluated internal controls related to the operation of the program, and performed one-on-one interviews with some of the

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[1] 10 TAC Chapter 1, Subchapter A; 10 TAC Chapter 7, Subchapter A and B; 10 TAC Chapter 23, Subchapter A, C, and E

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key staff involved with the operation of the program. We also conducted testing and review of the documents and records related to the Administrators and the applicants.

D. Roles and Responsibilities

Administrators; The Administrators are units of local government, nonprofit organizations, and Public Housing Authorities that enter into a contract with TDHCA to administer the HOME program and to serve income eligible Households and individuals in their communities. The Administrators are the first contact for the applicants. They receive and review applicants' projects for eligibility prior to submitting them to TDHCA through Housing Contract System. The Administrators are responsible for working with the applicant in providing all the necessary documentation for their project, and in clearing any deficiencies that the staff may identify.

Program staff: The HOME Program staff that are involved in the operation and administration of the program are Production coordinator who accepts and processes applications from the Administrators; Single Family program trainer who provides training to HOME program Administrators; Single Family Loan and Asset Administrator that works with projects that require a mortgage loans; and Performance team that work on HOME activities.

Other Division staff: In addition to HOME Program staff multiple other divisions are also involved in the operation of this program. They include Program Services, Financial Accounting, Legal Services, Loan Servicing, and Compliance sub-recipient monitoring division.

E. Testing and Recommendation

As part of our review for this audit we randomly selected five Administrators' files, from a total of 25 active Administrators, to review for completeness of documentations and compliance with applicable rules and regulations. We also reviewed Total of 25 household applicants' files. We found that documentations met the requirements of the program and the folders were complete.

We also reviewed and evaluated the training materials that are used by the program staff to provide training and support to the Administrators and their staff. We found the material to be useful, precise, and comprehensive. However, the training sessions do not seem to be offered on a set or regular schedule, and no other training materials available on the program website.

IA reviewed and tested the employee access to the program folders that contain applicants' personal information and found that a few of the past employees of the program still had access permissions to the program folder. However, without network access the individuals will not be able to access any of the program folders or its contents.

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Observation Number	Status Pertaining to the Recommendations and Action to be Taken	Target Completion Date	Responsible Party
23-004.01	OIA recommends that the program establish an online training sessions, such as pre-recorded training sessions, to provide continuous assistance to the Administrators and their staff.	N/A	N/A
23-004-02	OIA recommends that the program management perform a periodic review of access permissions to program folder that contains applicants' personal information.	N/A	N/A

Management Response

- Observation 23-001.01 Response:
  - While SFHP does not host group trainings on a set schedule or publish most training presentations online, management has determined that the current policy is sufficient to meet the needs of our Administrators on a personalized basis. Management notes that the narrative prior to the listed Observation states that the materials presented in training are useful, precise, and comprehensive, and appreciates the review of our training materials.

    The current policy of SFHP is to provide training upon request of the Administrator, or at the recommendation of the Performance Specialist assigned to the Administrator. Our trainer then reaches out to the Administrator and discusses their specific needs and updates each training to address the Administrator's concerns. SFHP does retain some recorded HOME Program training materials on its Technical Assistance webpage, but has not found that pre-recorded trainings are regularly accessed by Administrators, and it is more difficult to determine the mastery of the content presented than it is with a live training. No changes to the SFHP training policy or format are proposed by management in response to this Observation.

- Observation 23-004-02 Response:
  - While management is sensitive to the issues related to protecting personal information, we do not agree that the Program area holds the responsibility to monitor all TDHCA employee access to the program folders that contain applicants' personal information. This access is already subject to the requirements of TDHCA SOP 1264.01, which details the delegation of responsibility for network access. Although the narrative does conclude that this is a low-risk item because persons must have access to the TDHCA network to access any network folders, management reached out to Information Systems to

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determine the potential risk related to this Observation. The staff that appeared to still theoretical access to the folder only appeared because their accounts were not deleted when they left agency employment, which is not required; however, the accounts had all been deactivated. This means that even if the former staff had somehow been able to log into the network, they would not have had access to any network folders.

As network access is governed by an existing SOP, 1264.01, management does not intend to update its processes or created new policies in response to this Observation.

OIA extends our appreciation to Single Family and Homeless Programs management and its staff for their cooperation and assistance during the course of this audit.

Sincerely,

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

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