



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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RE: AN INTERNAL AUDIT OF THE MANUFACTURED HOUSING DIVISION (REPORT # 13-1052)

To: The Governing Board of the Texas Department of Housing and Community Affairs' Manufactured Housing Division

The Internal Audit Division has completed our audit of the mailroom procedures and cash handling processes for the Texas Department of Housing and Community Affairs' (Department's) Manufactured Housing Division (Division). We found that the Division has adequate controls in place over the mailroom and the cash handling processes to ensure that funds are managed appropriately.

As part of this audit, we evaluated the Division's internal controls over cash handling in the Division's mailroom and customer service window. We observed the Division staff during mail processing and deposit preparation and evaluated the internal controls over cash, which include a two-person verification of all cash receipts, separation of duties for entering and verifying the funds received, and physically securing payments in a locked safe with limited employee access.

We also tested daily deposits for 30 judgmentally-selected days ranging throughout fiscal years 2011 and 2012. The testing consisted of reconciling the daily deposit amounts recorded by Division staff in the Manufactured Housing System with the amounts deposited by the Department's Financial Administration Division in the PeopleSoft accounting system. We found no errors or discrepancies between the two systems. Out of the 30 days in the sample, we were able to reconcile the deposits for 29 days (96.7%). One day's deposit (3.3%) was not applicable to our testing because the only payments received for that day were electronic payments submitted using the Texas Online System, over which the Division does not have any control or authority.

The objective of this audit was to determine if the Manufactured Housing Division has adequate controls in place over the mailroom and the cash handling process to ensure funds are managed appropriately. The scope of our fieldwork was fiscal years 2011 and 2012. Our methodology consisted of interviewing responsible individuals, observing processes, reviewing documentation, and testing selected transactions. We did not perform a review of the Manufactured Housing System, which is the automated system used by the Division, because it is still under development.

This audit was conducted as part of our fiscal year 2013 internal audit plan. We conducted our fieldwork in September 2012. We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was also conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

We would like to extend our sincere thanks to the management and staff of the Manufactured Housing Division for their cooperation and assistance during the course of this audit.

Sincerely,

Sandra Q. Donoho, MPA, CISA, CIA, CFE, CICA
Director of Internal Audit

Sqd/nae

cc:

Joe Garcia, Executive Director of the Manufactured Housing Division
Kassu Asfaw, Chief Financial Officer