

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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Fiscal Year 2017 Annual Audit Plan
Approved by TDHCA Board

October 13, 2016

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For additional copies, please request "FY 2017 Annual Audit Plan".



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Texas Department of Housing and Community Affairs Office of Internal Audit Audit Plan for Fiscal Year 2017

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 2017 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 auditor hours available for projects in this plan were computed based on 2088 total hours per staff member in the 2017 fiscal work year. These hours were reduced by allowances for vacation, holiday, professional development, sick leave, a temporary vacancy, and an allocation for administrative activities required to manage the program of internal auditing.

Projects for Fiscal Year 2017 Annual Audit Plan

We have identified the following projects for inclusion in the 2017 Annual Audit Plan. 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. Information Services

The Internal Auditing Act requires periodic audits of an agency's information systems. The audit will cover such areas as technical infrastructure, Applications, external connections, and the division of I.T. responsibilities between the agency and DIR. The audit will be organized according to the ISACA "domains".

This particular type of audit has not been done at TDHCA, although an external contracted firm has performed consulting work related to I.T.

2. Bond Finance

The Bond Finance Division is primarily responsible for administering the Department's Mortgage Revenue Bond (MRB) program. MRB programs provide below-market interest rate funds for single family homebuyers and multifamily mortgage loans made to qualifying recipients.

The Bond Finance unit rated high on the risk assessment due to its level of complexity of transactions and processes. Additionally, the Bond Finance unit has not been audited within the last three years.

3. HOME Contract for Deed Conversion (CFDC)

The HOME Investment Partnerships Program (HOME Program or HOME) is funded by the U.S. Department of Housing and Urban Development (HUD). Authorized under the Cranston – Gonzalez National Affordable Housing Act, the purpose of the program is to expand the supply of decent, safe, affordable housing and strengthen public-private housing partnerships between units of general local government, public housing authorities, nonprofits, and for profit entities.

The Contract for Deed (CFD) initiative funds units of general local government, public housing authorities, local mental health authorities, and nonprofits wishing to assist colonia residents earning not more than 60% of the Area Median Family Income (AMFI), with converting contracts for deed into traditional mortgages.

HOME Contract for Deed Conversion (CFDC) rated high on the risk assessment and was selected for audit due to its susceptibility to fraud and concerns expressed by TDHCA management.

Carry Over Projects:

Multifamily Finance Division and Housing Tax Credit

The Multifamily Finance Division and Housing Tax Credit (HTC) audit will be performed in FY17. This audit was carried over from the 2016 audit plan. It will review the division as an organizational unit, and the HTC as an agency program / activity.

Compliance Monitoring

The Compliance Monitoring audit will be completed in November 2016. The fieldwork for this audit has been completed; and the report will be issued shortly.

Administrative and Statutory Projects:

- Internal Audit Self-Assessment
- 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
- Procurement of External Peer Review
- Completion of Peer Review

Consulting Projects and External Audit Coordination

Pursuant to the TDHCA internal audit charter, the OIA performs consulting activities for the agency. For fiscal year 2017, OIA is providing consulting services related to the new Grant Guidance in 2 CFR 200, as well as subrecipient monitoring.

OIA also coordinates and advises on external audit activities.

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