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State Auditor

Legislative Requirement:

An Efficiency Audit of the Department of Housing and Community Affairs

To address the requirements in Texas Government Code, Section 327.004, the State Auditor's Office reviewed the Department of Housing and Community Affairs' use of state resources in the following areas: financial resources, personal and real property assets, technology, and staffing.

The Department of Housing and Community Affairs (Department) and its Manufactured Housing Division (Division) have opportunities to improve efficiency by:

- Accepting online submissions of Statement of Ownership applications and payments to improve accessibility and streamline the issuance process.
- Continuing to automate their inspection processes and integrating certain systems to reduce reliance on manual processes.
- Improving operational processes by combining phases of its accessible home modifications program and collaborating with the Texas State Affordable Housing Corporation (TSAHC).

Auditors did not identify any significant efficiency-related issues relating to (1) internal operational duplication of efforts, (2) office space and staff utilization, (3) the hiring of outside contractors, or (4) misalignment between the Department's rules in the Texas Administrative Code and use of resources and its statutory authority and mission.

This audit was conducted in accordance with Texas Government Code, Sections 327.002 and 327.004.

STATEMENT OF OWNERSHIP PROCESS

The Division currently accepts applications and payments only by mail for Statements of Ownership, which sellers of manufactured homes are required to obtain. Accepting electronic submissions would simplify the application process for applicants and Division staff.

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AUTOMATION OPPORTUNITIES

While the Department and Division have automated some of their inspection processes, they still complete certain inspections using paper checklists and hard-copy documentation. Automating those inspections would minimize unnecessary duplications of effort.

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CONSOLIDATION AND COLLABORATION

Allowing some subgrantees to concurrently submit certain documentation could help the Department shorten review timelines. In addition, strengthening its collaboration with TSAHC could help ensure the efficient use of the State's housing assistance resources.

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For more information about this audit, contact Audit Manager Matthew Owens or State Auditor Lisa Collier at 512-936-9500.

August 2026 | Report No. **26-039**

Summary of Implementation Plan

Auditors made recommendations to address the inefficiencies identified during this audit (see Page 10). The Department and the Division agreed with the recommendations and provided information on their planned implementation of them (see their implementation plans starting on Page 11).

Background Information

Department of Housing and Community Affairs

The Department of Housing and Community Affairs (Department) is a state agency created to provide Texans with access to affordable housing options and community services. The Department finances, manages, and supports federal and state affordable housing programs. This includes providing grants and loans that help Texans with rent and utilities, home repairs, and home ownership, while also regulating the state's manufactured housing industry.

The Manufactured Housing Division (Division), an independent entity administratively attached to the Department, is responsible for ensuring that manufactured homes are safe, well-constructed, and installed correctly. The Division focuses on industry licensing and education, consumer protection, inspections, and titling and record keeping. Figure 1 summarizes the Department's key functions (including the Division).

Figure 1

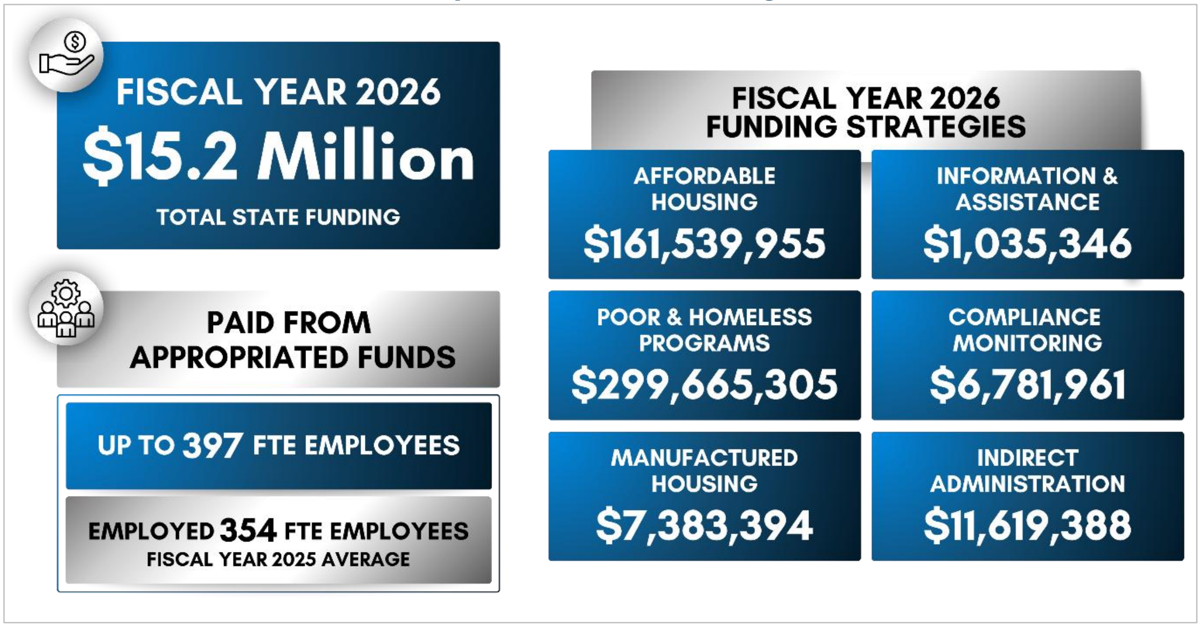
The Department's Key Functions

Source: The Department.

Figure 2 shows the Department's funding and size (including the Division).

Figure 2

The Department's Funding and Size



Sources: The General Appropriations Act (89th Legislature) and the Department's self-reported full-time equivalent (FTE) data.

Statement of Ownership Process

The Division should strengthen its Statement of Ownership process by accepting online submission of applications and payments.

The Department of Housing and Community Affairs' Manufactured Housing Division (Division) could streamline its current Statement of Ownership processes by allowing sellers of manufactured homes to submit documentation and payments electronically. Statute requires sellers of a manufactured home to apply and obtain a Statement of Ownership (see text box). The Division accepts Statement of Ownership applications, fees, and other required documentation only by mail, which requires manually intensive processing by Division staff.

Statement of Ownership

The Texas Occupations Code requires a person selling a manufactured home to a consumer for residential use to apply and obtain a Statement of Ownership within 60 days of the sale. The Statement of Ownership verifies the legal owner of the manufactured home, its lienholders, and whether the home is classified as real or personal property.

Sources: Texas Occupations Code, Sections 1201.205 and 1201.206(h), and the Division.

Division Processes. Division management estimated that its mailroom receives approximately 230 Statement of Ownership applications and payments per day. Mailroom employees open and sort the applications and document the payments, which are batched and stored in a locked safe until they can be further processed and deposited. The mailroom employees then distribute the applications to the Division's application processors, who conduct an initial review and manually enter information from the application into the Division's central database.

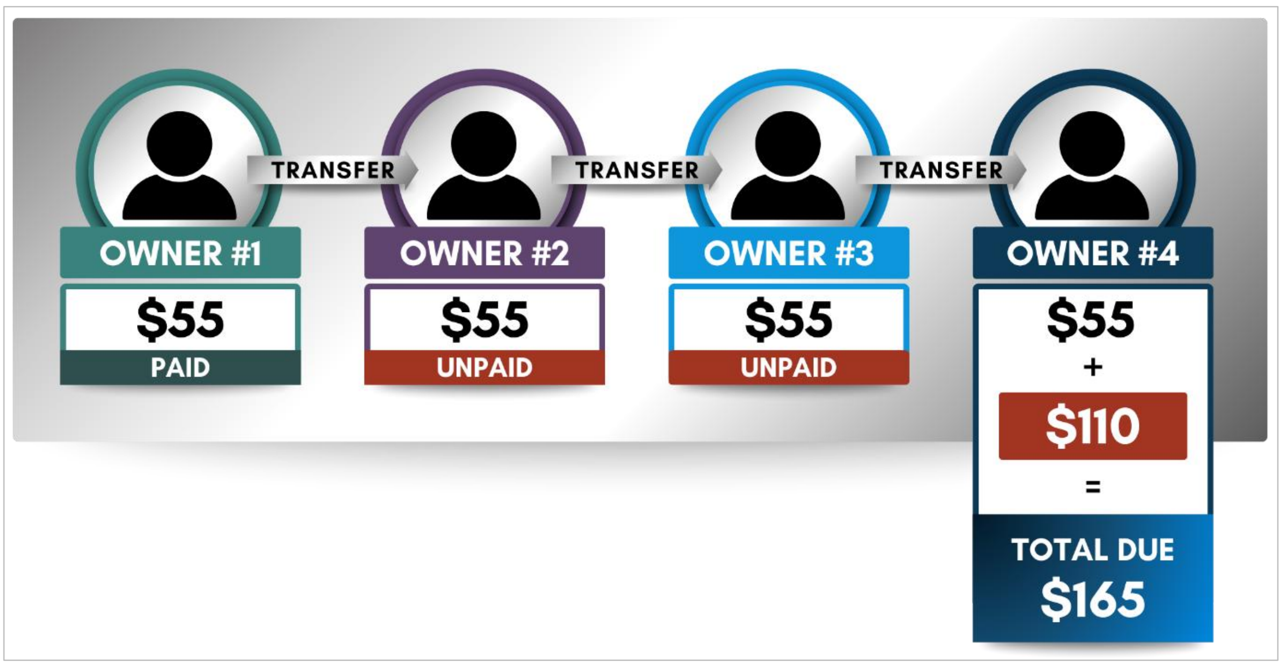
Giving applicants the option to submit applications and payments electronically would not only increase the efficiency of the process but also allow the Division to reduce its reliance on these manual processes. Specifically, fees received electronically would not require manual handling and depositing. In addition, the need for manual entry could be eliminated if the Division established an electronic application form that automatically loads the relevant information into its database.

Collection of Fees. Giving applicants the option to submit their applications and payments electronically could also increase the number of sellers paying the required fee upon transfer and lessen the financial burden placed on other applicants, as well as result in more timely collection of the fees owed to the Division.

Applicants must pay a $55 fee each time the ownership of a manufactured home is transferred. However, if a previous seller did not complete the process, the Division requires the current applicant to pay not only the minimum $55 fee but also for all fees from identified prior transfers for which a Statement of Ownership was not obtained (see Figure 3 for an example).

Figure 3

Example of Statement of Ownership Application with Prior Unpaid Fees



Source: Based on auditor's analysis of the Division's fee collections.

Of the 158,073 Statements of Ownership completed in fiscal years 2023 through 2025, the Division identified 10,519 applications (6.7 percent) that included prior transfers for which a Statement of Ownership had not been obtained, requiring additional fees from $55 to $330.[1] This resulted in applicants paying a minimum of $715,495 during that time period to cover prior unpaid transfers in order to obtain a Statement of Ownership.

The Division searches for and confirms prior unrecorded transfers when a Statement of Ownership application is received and the listed seller on a Statement of Ownership application does not match the Division's records. There is a significant risk that there may be additional unpaid fees currently due to the State.

Automation Opportunities

The Department and Division have opportunities to improve efficiency by continuing to automate their inspection processes.

While the Department and Division have automated some of their inspection processes, they still complete certain inspections using paper checklists and hard-copy documentation. For example:

- **Department Inspections.** Department inspectors complete home inspections required by the U.S. Department of Housing and Urban Development using a mobile application. However, they rely on paper checklists to perform construction inspections. In fiscal year 2025, the Department asserted that it performed 149 construction inspections.
- **Division Inspections.** Division inspectors currently use a mobile application to complete installation inspections; however, they rely on paper documentation to perform non-routine inspections, such as habitability and complaint inspections. In fiscal year 2025, the Division performed 1,776 non-routine inspections.

[1] Because an application may have more than one transfer for which fees were not paid, the Division identified a total of 13,009 unpaid transfers related to the 10,519 applications received.

For the paper-based inspections, inspectors manually collect and enter inspection information twice, at the time of the inspection and then again when the data is entered into their respective information systems. For construction inspections, a Department inspector completes a checklist and records notes by hand while onsite and later transcribes and enters that information into the Department's Compliance Monitoring and Tracking System (CMTS).

Automating these inspection processes would help both the Department and Division improve the efficiency of their inspection processes, as well as reduce the risk of inspection information being entered incorrectly. Possible automations could include requiring staff to use digital versions of fillable PDF forms and/or incorporating paper-based inspections into mobile applications currently used by the Department and Division.

The Department has opportunities to increase efficiency by integrating certain systems and reducing reliance on manual processes.

The Department relies on manual data entry and Access databases and Excel spreadsheets to complete compliance monitoring reviews and processes related to management of the Housing Trust Fund. By automating the review process, the Department could reduce the number of steps taken and improve timeliness. Specifically:

- **Compliance Monitoring Reviews.** The Department's Compliance Monitoring section is responsible for verifying long-term compliance with requirements of Department-funded multifamily housing programs. The section conducts reviews of properties at least once every three years to evaluate compliance with income and rent limits, as well as other requirements related to providing social services and affirmative marketing. Before conducting the reviews, staff manually enter data from the Department's CMTS into Excel spreadsheets. Those spreadsheets are then used to complete the reviews, and the results of the reviews are then manually entered into CMTS.

- **Housing Trust Fund.** Department staff currently manage the Housing Trust Fund (see text box) using an Access database and Excel spreadsheets. Staff run reports from the database and spreadsheets to complete program application reviews, the results of which are then manually entered into the Department's Housing Contract System.

Integrating certain Excel and Access functions into their respective systems for the application and review processes described above would help the Department decrease the number of manual data entries required and improve the efficiency, accuracy, and timeliness of those processes.

Housing Trust Fund

The Housing Trust Fund is a state fund managed by the Department to finance affordable housing initiatives for low-income Texans, including development, acquisition, and rehabilitation, funded by various state appropriations, grants, and investment earnings.

Source: The Department.

Consolidation and Collaboration

Streamlining its Amy Young Barrier Removal Program application process could shorten the Department's review timelines for the grants.

Nonprofit organizations or local governments apply for funding under the Amy Young Barrier Removal Program when they have identified an eligible household. Department staff currently review applications in 4 separate stages; however, the Department could collect information required in Stage 1 and Stage 2 concurrently (see text box for information about the program). On average, Stage 1 and Stage 2 documentation processing currently takes 104 days and 113 days, respectively.

Allowing nonprofit organizations or local governments that are familiar with the program to concurrently submit Stage 1 and Stage 2 documentation could help the Department shorten the review timeline and provide program funding to assist households in a timelier manner.

Amy Young Barrier Removal Program

The Amy Young Barrier Removal Program provides one-time grants for up to $22,500 per home to help finance home modifications that improve the accessibility of the home. Stage 1 includes evaluating a household's program eligibility and Stage 2 includes a review of the estimated cost of work.

Source: The Department.

The Department should strengthen its collaboration and communication with the Texas State Affordable Housing Corporation.

The Department's statutory authority and programs overlap with the Texas State Affordable Housing Corporation (Corporation). Specifically, both the Department and the Corporation operate single-family home ownership programs and use mortgage revenue bonds and credit certificates to assist homebuyers.

In the past, the entities collaborated on the allocation of authority to issue bonds that support programs they both offer. However, that ceased in 2023. The lack of continued collaboration contributed to the temporary suspension of some borrower benefits (for additional information, see *An Efficiency Audit of the Texas State Affordable Housing Corporation*, SAO Report No. 26-038, August 2026).

Resuming its collaboration and strengthening communication with the Texas State Affordable Housing Corporation may help ensure the continuity of both entities' homebuyer assistance programs and help ensure the efficient use of resources in the State's efforts to address housing affordability.

Recommendations

The Division should:

- Evaluate whether there are opportunities to accept online submission and payment of Statement of Ownership applications.
- Evaluate whether there are opportunities to further automate the Field Operations process by requiring staff to use digital versions of fillable PDF forms and incorporating remaining inspections into mobile inspection applications used by the Division and Department.

The Department should:

- Evaluate opportunities to further automate the Physical Inspection process by requiring staff to use digital versions of fillable PDF forms and incorporating remaining inspections into mobile inspection applications used by the Department and Division.
- Evaluate opportunities to integrate Compliance Monitoring and Housing Trust Fund processes into their respective information systems.
- Streamline the Amy Young Barrier Removal program review process by accepting Stage 1 and Stage 2 documentation concurrently from experienced subgrantees.
- Resume collaboration with the Texas State Affordable Housing Corporation on the status of and funding for programs in which both entities participate.

The Division's Management's Implementation Plan

> The Manufactured Housing Division ("Division") agrees with the Auditor's findings and recommendations regarding opportunities to improve operational efficiency through increased use of electronic submissions, automation, and modernization of existing systems.
>
> The Division has recognized these opportunities for several years and has actively pursued improvements to its technology infrastructure and business processes. Over the past five years, the Division has explored options to modernize its computer systems and expand electronic and automated processes. However, limited funding has significantly constrained the Division's ability to make the necessary system investments.
>
> The Division has also explored opportunities to increase available revenue to support these improvements. As part of those efforts, the Division has sought to increase two of its 19 fees; however, approval to increase fees has not been granted by the Governor's Office. Consequently, the Division's ability to generate additional resources for technology modernization remains limited.
>
> The Division remains committed to pursuing these improvements as funding and system capabilities permit. The Division will continue to

evaluate opportunities to implement electronic Statement of Ownership submissions and payments and further automate inspection processes, consistent with the Auditor's recommendations. These improvements would reduce manual processing, minimize duplicate data entry, improve data accuracy, and enhance the efficiency and accessibility of services provided by the Division.

Responsible Position of Implementation: Executive Director, Manufactured Housing Division

Timeline of Implementation: Ongoing. The Division will continue evaluating and pursuing opportunities to implement the recommended electronic and automated processes. Implementation of system enhancements will be dependent upon the availability of funding, technology resources, and any required approvals.

The Division appreciates the Auditor's recognition of these opportunities and agrees that modernization of the Division's technology infrastructure is an important long-term investment. With adequate funding and the necessary system resources, the Division is prepared to advance these initiatives and achieve the operational efficiencies identified in the report.

The Department's Management's Implementation Plan

1. *Recommendation*: Evaluate opportunities to further automate the Physical Inspection process by requiring staff to use digital versions of fillable PDF forms and incorporating remaining inspections into mobile inspection applications used by the Department and Division.

Management Response: The Department agrees with this recommendation. The Physical Inspection Department currently conducts the majority of its inspections digitally and is actively exploring opportunities to digitize the two remaining aspects of the physical inspection process. One of the remaining components of inspections, the Minimal Accessibility Inspection Checklist, is already in its testing phase with implementation to soon follow; following the successful implementation of the digitized Minimal Accessibility Inspection

Checklist, the Department will explore opportunities to digitize the other remaining component needing digitization, the Final Construction Inspection (FCI) process.

Responsible Party: Deputy Executive Director

2. *Recommendation:* Evaluate opportunities to integrate Compliance Monitoring and Housing Trust Fund processes into their respective information systems.

Management Response: The Department agrees with this recommendation.

As it relates to Compliance Monitoring: Staff is committed to seeking ways to continue automating Compliance Monitoring processes and reduce the reliance on Excel spreadsheets, manual entry, and cross-referencing. Compliance is part of the new Multifamily Management System (MMS) under development and compliance procedures that have not been automated in the current system of record, CMTS, will be incorporated into the MMS. This includes the Compliance Monitoring Pre-Onsite Monitoring Log and the Monitoring Checklist. Those two projects along with other upgrades currently underway by the Department's IT Division will move most, if not all, of the Compliance work from an Excel format to integration into some type of system.

As it relates to the Housing Trust Fund: Staff is committed to seeking ways to better integrate existing HTF data tools (Access and Excel) into the Housing Contract System and reduce/eliminate hand transcription of information from original PDFs. The Department's program staff will begin exploring such possible improvements and upgrades with our Information Systems Division.

Responsible Party: Deputy Executive Director

3. *Recommendation:* Streamline the Amy Young Barrier Removal program review process by accepting Stage 1 and Stage 2 documentation concurrently from experienced subgrantees.

Management Response: The Department agrees with this recommendation. With more experienced subrecipients the merging of Stage 1 and Stage 2 is a possibility that does not increase risk; with less experienced subrecipients merging these two stages increases the risk of errors occurring that are harder to fix and of work being procured and bid for that is not an eligible expense. In its next annual release of funds, the Department will establish a distinction between the expertise level of subrecipients and will allow more experienced subrecipients to utilize an accelerated process.

Responsible Party: Deputy Executive Director

4. *Recommendation:* Resume collaboration with the Texas State Affordable Housing Corporation on the status of and funding for programs in which both entities participate.

Management Response: TDHCA will continue to pursue opportunities for collaboration with TSAHC where doing so advances the shared goal of expanding affordable housing opportunities for Texans. These efforts include periodic leadership meetings, sharing best practices and market intelligence, and collaborating on industry education and outreach where appropriate. While each organization operates independently under its respective statutory authority, continued communication could help avoid duplication, improve efficiency, and strengthen the overall delivery of housing programs across Texas. As these efforts continue, additional clarity regarding the respective roles and authorities established in Chapter 2306, Subchapter Y may further support effective coordination and provide greater certainty for stakeholders.

Responsible Party: Deputy Executive Director – Housing Finance

Appendix 1

Objective, Scope, and Methodology

The following members of the State Auditor's staff performed the audit:

- Alexander Sumners, CFE (Project Manager)
- Gabrielle Magadia, CFE (Assistant Project Manager)
- Alariyah Burr
- Spence McNamara
- Melissa Migl, BSN, MSN, CFE
- Kristen Thurman
- Quang Tran, CFE
- Robert G. Kiker, CFE, CGAP (Quality Control Reviewer)
- Matthew M. Owens, MBA, CPA, CFE, CGAP, CIA, CISA (Audit Manager)

Objective

The objective of this audit was to determine whether the Department of Housing and Community Affairs (Department) is administering selected state resources in an efficient manner according to best practices and applicable requirements.

Scope

The scope of this audit covers the Department's administration of the Housing Trust Fund, processes related to compliance monitoring and physical inspections, and other general agency operations from September 1, 2022, through March 31, 2026. The scope also included the Manufactured Housing Division's (Division) processes for issuing Statements of Ownership and conducting inspections of manufactured homes for the same period.

Internal control was not significant to the audit objective.

Methodology

We conducted this performance audit from January 2026 through July 2026 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 objective.

We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. In addition, during the audit, matters not required to be reported in accordance with *Government Auditing Standards* were communicated to the Department's management for consideration.

Addressing the Audit Objective

During the audit, we performed the following:

- Interviewed, surveyed, and conducted walkthroughs with Department and Division management and staff to gain an understanding of the Department's and Division's functions, activities, and processes.
- Identified the relevant criteria:
  - Texas Government Code, Chapter 2306.
  - Texas Administrative Code, Title 10, Part 1.
  - Texas Occupations Code, Chapter 1201.
  - The Legislative Budget Board's *Instructions for Preparing and Submitting Agency Strategic Plans*.
  - The Department's and Division's policies and procedures.

In addition, to address the requirements for efficiency audits in Texas Government Code, Section 327.004, we performed work in the following areas:

Strategic Planning. Evaluated the Department's Strategic Plan; reviewed the Department's and Division's rules to determine if they aligned with its statutory authority and mission; and compared the Department's mission and responsibilities with those of other state agencies with similar functions.

Financial Resources. Reviewed the Department's and Division's: *Legislative Appropriations Request* for fiscal years 2024 through 2027; operational budget for fiscal years 2024 and 2026; the Department's contracts with outside parties providing legal and physical inspection services; analyzed the Department's vendor payment information and expenditure data from the Uniform Statewide Accounting System (USAS) for fiscal years 2023 through 2025.

Operations. Evaluated the results of interviews, walkthroughs, and policies; analyzed data related to Inspections, Statements of Ownership, and the Department's Housing Trust Fund to identify potential instances of duplicated effort that could be eliminated or other opportunities for the Department and Division to improve operational efficiency.

Personal and Real Property. Conducted walkthroughs of the Department's and Division's offices and reviewed the fiscal year 2025 space allocation plan to evaluate the efficiency of the Department's and Division's use of space.

Technology. Reviewed the Department's and Division's current information technology (IT) systems; and evaluated the Department's and Division's processes for opportunities to improve efficiency through increased automation.

Staffing. Reviewed information on the Department's (including the Division) staffing, employee turnover, and other workforce information.

Data Reliability and Completeness

Housing Trust Fund. For data related to Housing Trust Fund programs for fiscal years 2023 through 2025, auditors (1) reviewed parameters used to pull the data from the Department's system and (2) analyzed data fields for completeness and reasonableness. The data was sufficiently reliable for the purposes of this audit.

Division Statements of Ownership and Inspections. For Statement of Ownership applications received and inspections completed for fiscal years 2023 through 2025, auditors (1) reviewed parameters used to pull the data from the Division's system and (2) analyzed data fields for completeness and reasonableness. The data was sufficiently reliable for the purposes of the audit.

USAS. For vendor payments for September 2020 through December 2025 and expenditures for fiscal years 2023 through 2025, auditors independently ran the vendor payment and expenditure reports directly from USAS and verified the parameters used. The data sets for vendor payments and expenditures were sufficiently reliable for the purposes of this audit.

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

The Honorable Dustin Burrows, Speaker of the House, Joint Chair

The Honorable Joan Huffman, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Department of Housing and Community Affairs

Members of Department of Housing and Community Affairs' Board

Mr. Robert Wilkinson, Executive Director

Manufactured Housing Division

Members of the Manufactured Housing Division's Board

Mr. James Hicks, Executive Director