



An Audit Report on

# **Regulatory Activities at the Manufactured Housing Division**

October 2019

Report No. 20-002



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## Overall Conclusion

While the Manufactured Housing Division (Division) did not have adequate controls over its installation inspections, it established processes for issuing Texas Seals, processing complaints, and issuing and monitoring licenses for manufactured homes.

**Recording and monitoring installation inspections.** The Division had significant weaknesses in its oversight of installation inspections. Specifically, the Division did not have processes to:

- Verify that installation inspections are conducted.
- Verify that all inspection findings are entered and retained in its tracking system.
- Ensure that inspectors consistently included support for the number of inspection findings entered in its tracking system.

In addition, the Division did not have controls to help ensure the accuracy of installation inspection information entered into its tracking system.

**Issuing Texas Seals.** The Division had processes and related controls for issuing unique identification numbers, called Texas Seals, in compliance with applicable requirements.

**Processing Complaints.** The Division established procedures for evaluating complaints that addressed statutory requirements and evaluated all complaints according to those procedures.

**Issuing and Monitoring Licenses.** The Division had processes and related controls in place to help ensure that it issued and monitored licenses for manufactured home salespersons, manufacturers, installers, brokers, and retailers in accordance with applicable requirements.

**System Controls.** The Department had processes in place for change management; however, the Division should strengthen its user access controls.

### Background Information

The Manufactured Housing Division (Division) regulates the manufactured housing industry in Texas to ensure that manufactured homes are well-constructed and safe, that homes are installed correctly, that consumers are provided fair and effective remedies, and that measures are taken to provide economic stability for the Texas manufactured housing industry.

The Division is administratively attached to the Department of Housing and Community Affairs. The Manufacturing Housing Board (Board) consists of five members appointed by the Governor, and the Board employs the Executive Director of the Division.

Source: The Division.

Table 1 presents a summary of the findings in this report and the related issue ratings. (See Appendix 2 for more information about the issue rating classifications and descriptions.)

Table 1

Summary of Chapters/Subchapters and Related Issue Ratings		
Chapter/ Subchapter	Title	Issue Rating <sup>a</sup>
1	The Division Did Not Have Adequate Controls to Ensure That Inspectors Conducted Installation Inspections as Required and Entered Accurate Installation Information into Its Tracking System	Priority
2-A	The Division Had Processes and Related Controls to Help Ensure That It Issued Texas Seals in Compliance with Applicable Requirements	Low
2-B	The Division Had Processes and Related Controls to Help Ensure That It Processes Complaints in Accordance with Applicable Requirements	Low
2-C	The Division Had Processes and Related Controls to Help Ensure That It Conducted Licensing Activities in Compliance with Applicable Requirements	Low
3	The Department Had Processes in Place for Change Management; However, the Division Should Strengthen Its User Access Controls	Medium

<sup>a</sup> A chapter/subchapter is rated **Priority** if the issues identified present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.

A chapter/subchapter is rated **High** if the issues identified present risks or effects that if not addressed could substantially affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern and reduce risks to the audited entity.

A chapter/subchapter is rated **Medium** if the issues identified present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

A chapter/subchapter is rated **Low** if the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

Auditors communicated other, less significant issues separately in writing to Division management.

### ***Summary of Management's Response***

At the end of certain chapters in this report, auditors made recommendations to address the issues identified during this audit. The Division agreed with the recommendations in this report.

## ***Audit Objectives and Scope***

The objective of this audit was to determine whether the Division has processes and related controls to help ensure that it conducts regulatory activities for the manufactured housing industry in accordance with applicable requirements.

The scope of this audit covered installation inspections conducted; Texas Seals issued; complaints closed; and licenses issued, suspended, or expired from September 1, 2017, through March 31, 2019.

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# Detailed Results

Chapter 1

## ***The Division Did Not Have Adequate Controls to Ensure That Inspectors Conducted Installation Inspections as Required and Entered Accurate Installation Information into Its Tracking System***

**Chapter 1  
Rating:  
Priority <sup>1</sup>**

The Manufactured Housing Division (Division) conducts inspections to verify that manufactured homes are correctly installed, which includes verifying that homes are properly anchored to their foundations (see text box for more information about installation inspections). Performing installation inspections is the primary means by which the Division ensures that manufactured homes are installed correctly and are safe for residents.

According to the Division's inspection data, it received 29,196 notices of installation between September 1, 2017, and March 31, 2019, and reported that it conducted 28,104 inspections related to those notices of installation. However, data analysis indicates that inspections may not be consistently performed and that inspection results are not correctly recorded, because the Division is not adequately tracking and monitoring installation inspections. Specifically, the Division:

- Does not have monitoring processes in place to help ensure that installation inspections were conducted as reported.
- Does not enforce its requirement that inspectors enter inspection findings in its internal tracking system, Exodus.
- Does not have adequate controls to ensure the accuracy of key information, such as inspection dates, that inspectors enter into Exodus.

**The Division is not adequately monitoring and tracking installation inspections.**

The Division relies on its inspectors in the field offices to perform installation inspections in their assigned geographic areas, and its policies and procedures specify requirements for how the inspections should be

### Installation Inspections

Texas Occupations Code, Section 1201.303, requires the Division to perform inspections of manufactured homes after the installer has submitted a notice of installation.

Inspections include verifying whether the following areas of the manufactured home installation comply with state and federal requirements:

1. footings,
2. piers,
3. pier placement,
4. anchors,
5. ties,
6. skirting,
7. home connections,
8. crossover connections, and
9. weatherproofing.

Source: The Division.

<sup>1</sup> The risks related to the issues discussed in Chapter 1 is rated as Priority because they present risks or effects that if not addressed could critically affect the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

conducted and how findings should be recorded in Exodus. However, when taken together, the following control weaknesses result in the Division not adequately monitoring its inspectors and installation inspections, which increases the risk that safety issues related to improper installations go undetected:

- **The Division does not have monitoring processes in place to ensure installation inspections are conducted.** Specifically, the Division does not perform routine monitoring activities such as analysis of inspection data or on-site spot checks to verify that inspections were actually performed and met the Division’s requirements. It is particularly important that the Division perform monitoring procedures because its inspectors self-report inspections conducted into Exodus and the Division does not require its inspectors to provide or maintain support for those inspections.
- **The Division does not enforce its requirement that findings are entered and retained in Exodus** (see text box for the definition of findings). Between September 1, 2017, and March 31, 2019, only 3.7 percent of the 28,104 installation inspections conducted had a finding recorded in Exodus. While the Division’s procedures require inspectors to enter findings into Exodus so that a warranty order may be issued, Division management allows inspectors to circumvent that requirement. Instead, according to the Division, some inspectors informally resolved findings by communicating directly with the installer rather than recording those findings in Exodus and issuing formal warranty orders. As a result, the Division cannot determine the number and types of findings that were actually identified. This practice creates a significant risk that installation deficiencies may not be resolved.
- **For findings recorded in Exodus, the Division did not ensure that inspectors included support in Exodus for all identified findings.** Specifically, for a sample of 7 inspections tested for which the Division identified findings that it recorded in Exodus, the Division could not provide support for the number of findings recorded in Exodus for 2 (29 percent) of those 7 inspections.

#### Inspection Findings

According to its procedures, the Division tracks “findings,” which are deficiencies in the installation of the manufactured homes identified during installation inspections, in Exodus.

Division policy requires inspectors to record findings and to issue a warranty order to the installer within seven days that specifies the corrective action necessary.

Source: The Division.

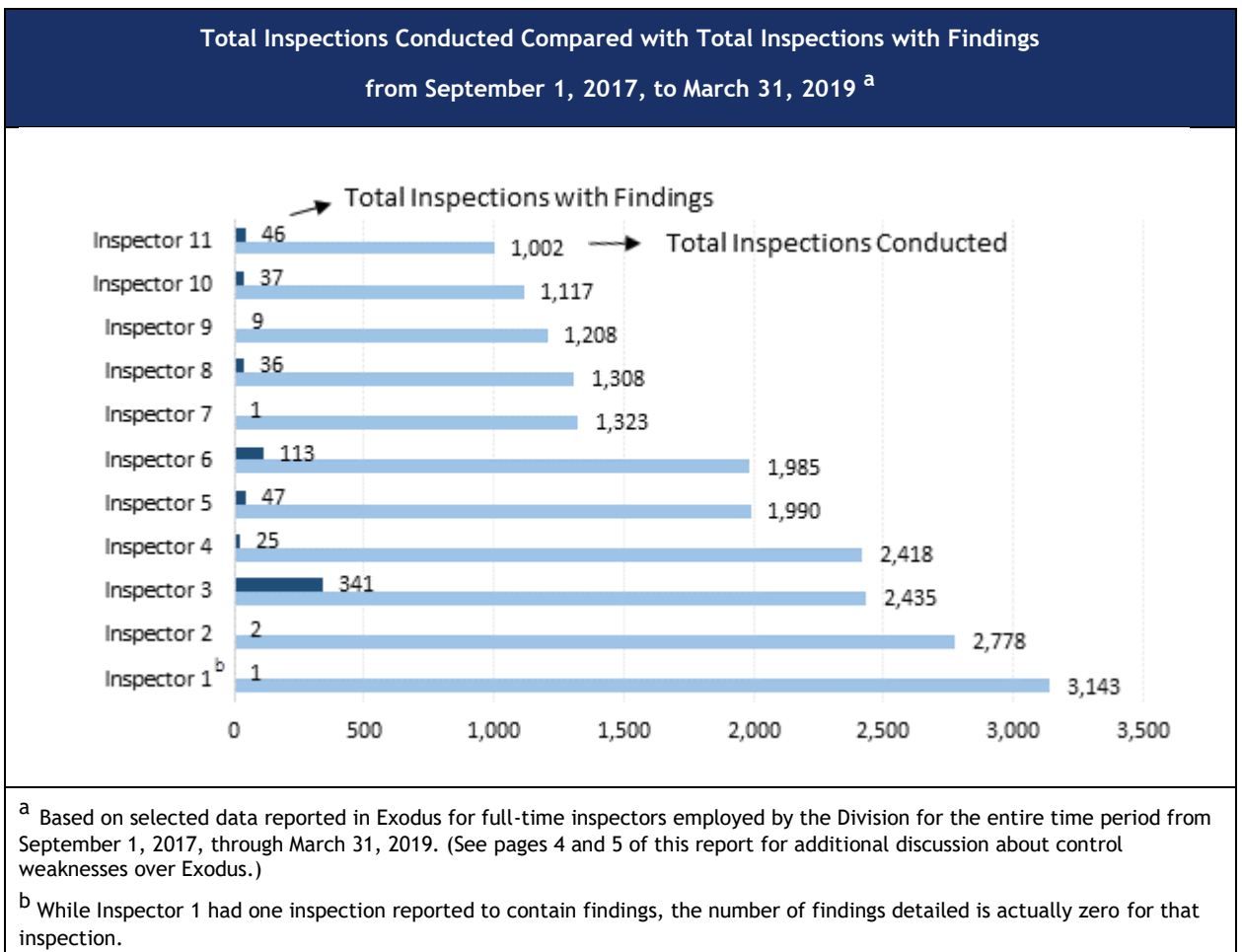
The weaknesses in the Division’s monitoring and recording of installation inspections increase the risk that (1) all installation inspections were not conducted as reported, and (2) findings were not adequately communicated and appropriately resolved. In addition, the Division lacks complete and accurate information to help it identify potential trends, such as an installer that is consistently not complying with requirements.

Data analysis indicates that inspections may not be consistently performed and that inspection results are not correctly recorded.

As a result of the control weaknesses discussed above, the Division cannot verify (1) that inspections are consistently performed and (2) that findings are being identified and resolved. Adequately performing inspections and fully resolving inspection findings is important to ensure the safety of manufactured home residents and to help ensure that manufactured homes perform as designed.

As Figure 1 shows, wide variations existed among full-time inspectors in the reported number of inspections performed, and some inspectors reported zero to few findings for those inspections. Because the Division does not regularly monitor or analyze its inspection data, it cannot determine what level of variation among its inspectors might be reasonable.

Figure 1



Source: The State Auditor's Office created this figure based on information provided by the Department.



For example, as shown in Figure 1 on the previous page:

- The number of installation inspections reported ranged from about 1,000 inspections per inspector (about 2.6 per workday) to more than 3,000 inspections per inspector (about 7.6 per workday).
- Three inspectors<sup>2</sup> who performed a total of more than 7,000 inspections recorded findings in Exodus for only 3 of those inspections, a rate of 0.04 percent. In contrast, two other inspectors<sup>3</sup> who performed a total of 4,420 inspections recorded findings in Exodus for a total of 454 of those inspections, a rate of 10.27 percent.

Some variation among the inspectors is reasonable due to factors such as the experience and geographical location of each inspector. However, without monitoring, the Division cannot adequately determine whether the variation is reasonable or whether it indicates that inspections may not be conducted as required. In addition, when findings are not recorded in Exodus, the Division cannot ensure that a warranty order (see text box for more information on warranty orders) to correct the identified finding is issued as required.

#### Warranty Order

A warranty order is used to document and communicate all findings identified during an installation inspection to the installer or manufacturer who installed the manufactured home. Division policy requires warranty orders to be sent no later than 7 days from the date of the inspection.

Source: The Division.

#### **The Division did not have adequate controls to ensure the accuracy of installation inspection information entered into Exodus.**

The Division did not have adequate controls to ensure the accuracy of the installation inspection information that inspectors enter into Exodus. Specifically, certain data fields did not have controls that adequately protected the integrity of that data. For example, based on the inspection data in Exodus, some inspectors were able to:

- Enter unreasonable dates, such as “September 29, 2917,” for installation inspections.
- Enter unreasonable numbers of findings, such as finding counts of “2018”.

In addition, inspectors have access to change installation inspection information in Exodus without review and approval by management. Specifically, Exodus does not contain controls to prevent inspectors from changing inspection dates or the number of findings without approval and it

<sup>2</sup> Inspectors 1, 2, and 7 in Figure 1 on the previous page.

<sup>3</sup> Inspectors 3 and 6 in Figure 1 on the previous page.

does not maintain the original data in Exodus. For example, some inspectors changed the number of findings to zero after they initially entered findings in Exodus. As a result, the Division does not have a record of the number of findings originally identified, which could limit its ability to perform enforcement activities such as suspending or revoking an installer's license.

## Recommendations

The Division should:

- Implement and enforce controls over the recording and monitoring of its installation inspections to ensure that:
  - ♦ Inspections are conducted in accordance with requirements, and
  - ♦ Findings are completely and accurately recorded and supported in Exodus.
- Develop and implement controls to ensure the accuracy of installation inspection information entered into Exodus, including automated controls and review processes.
- Restrict the inspectors' access to change data in Exodus only to situations where the Division management determines the change is necessary and appropriate, and ensure that it maintains original data when changes are made.

## Management's Response

*Agreed. The Division's focus has been to conduct as many inspections as possible to ensure that its commitment to inspect 90% of all installations reported is met. Regrettably, in our efforts to uphold this commitment there has been less focus on data integrity, accuracy and quality control.*

*To ensure a balance on production and quality control, the Division has implemented the following processes to mitigate the concerns and/or potential risks identified in the audit:*

1. *Update the Standard Operating Procedure (SOP) 2509.01 for Installation Inspections to state that Inspectors must take a photo of the HUD label of each home they inspect and attach the photo to the inspection report as part of the permanent record.*

2. *At least quarterly, management will conduct analysis on the production of each inspector, to include inspections performed, travel reported and the number of deviations reported in the inspections performed.*
3. *Clarify in a field bulletin to staff that all deviations identified in an installation inspection are to be noted on the inspection form and data entered in the system regardless of whether they are corrected informally within established timeframes or formally through the issuance of a warranty order. The SOP 2509.01 for Installation Inspections has been updated to reflect this information and Field Bulletin 2020-001 issued to alert staff.*
4. *Clarify in a field bulletin to staff that any documentation related to deviations found during an installation inspection must be included with the permanent record. The SOP 2509.01 for Installation Inspections has been updated to reflect this information and Field Bulletin 2020-001 issued to alert staff.*
5. *Create report which identifies and groups deviations to quantify common issues for training purposes.*
6. *Create a date format in the system that prevents the accidental data entry of a past or future inspection date.*
7. *Create a trigger in the system that validates the number of findings in an inspection by requiring the data entry of the number of findings and the same quantity specified in detail on the next screen to ensure that deviation types are captured and the accurate data is entered and specified.*
8. *Create a history format in the system that keeps a history of all data entered even after it is updated with subsequent data.*

## **The Division Had Processes and Related Controls for Issuing Texas Seals and Licenses, and Handling Complaints in Compliance with Applicable Requirements**

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The Division had processes and related controls for issuing Texas Seals, processing complaints, and issuing and monitoring licenses for manufactured homes in compliance with applicable requirements.

Between September 1, 2017, and March 31, 2019, the Division:

- Issued 2,200 Texas Seals, which is similar to a vehicle license plate, for manufactured homes (see Chapter 2-A).
- Closed 1,074 complaints related to manufactured housing submitted by consumers, licensees, or Division employees (see Chapter 2-B).
- Issued 3,009 licenses for manufacturers, retailers, brokers, salespersons, and installers of manufactured homes and collected almost \$1.4 million in licensing fees (see Chapter 2-C).

Chapter 2-A

### **The Division Had Processes and Related Controls to Help Ensure That It Issued Texas Seals in Compliance with Applicable Requirements**

**Chapter 2-A  
Rating:**

Low<sup>4</sup>

The Division had processes and related controls for issuing Texas Seals in compliance with applicable requirements (see text box for more information on Texas Seals). Specifically, for 36 (97 percent) of 37 Texas Seals tested, the Division based its decision to issue the Texas Seal on appropriate supporting documentation. For the remaining item, the home already had a HUD label and did not require a Texas Seal.

It is important to have an accurate Texas Seal or HUD label because those identification numbers are used in the regulation and sale of manufactured homes.

#### **Texas Seal**

Similar to a vehicle license plate, a **Texas Seal** is a metal plate with a number used to identify a manufactured home that does not have a HUD Label.

A **HUD label** is a metal plate issued by the United States Department of Housing and Urban Development (HUD) to indicate compliance with the standards, rules, and regulations; and permanently attached to each transportable section of each manufactured home constructed after June 15, 1976, for sale to a consumer.

Sources: The Division and HUD.

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<sup>4</sup> The risk related to the issues discussed in Chapter 2-A is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

## The Division Had Processes and Related Controls to Help Ensure That It Processes Complaints in Accordance with Applicable Requirements

Chapter 2-B  
Rating:  
Low<sup>5</sup>

The Division had processes and related controls to help ensure that it processed complaints in accordance with applicable requirements. The Division established procedures for evaluating complaints that addressed statutory requirements and evaluated all complaints that it determined were valid according to those procedures. Specifically:

- For all 30 valid complaints tested (see text box for more information about complaint types), the Division had documentation showing that it (1) performed investigative work and (2) ensured that supervisors reviewed and approved each complaint prior to closing it.
- For all 20 complaints tested that the Division determined were invalid, the Division documented its rationale for that determination and ensured that supervisors reviewed the complaint prior to closure.
- For all 10 closed complaints related to the consumer claims program it received from September 1, 2017, through March 31, 2019 (see text box for more information about that program), the Division processed each complaint in accordance with applicable requirements.

### Complaint Types

**Valid complaints** include complaints within the Division's jurisdiction, in which there is sufficient evidence to proceed performing investigative work.

**Invalid complaints** include complaints that were dismissed. For example, complaints may be dismissed because there is a lack of evidence or it is outside the Division's jurisdiction.

Source: The Division.

### Consumer Claims Program

The Division administers the Consumer Claims Program to provide remedies for damages resulting from prohibited conduct by a person licensed by the Division. The Division is authorized to pay up to \$35,000 per claim based on the availability of funds after all operating expenses are paid. If the Division does not have sufficient money to pay claimants, claims are processed in the order in which the verified complaints are received.

Source: The Division.

<sup>5</sup> The risk related to the issues discussed in Chapter 2-B is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

## The Division Had Processes and Related Controls to Help Ensure That It Conducted Licensing Activities in Compliance with Applicable Requirements

Chapter 2-C  
Rating:  
Low <sup>6</sup>

The Division issues licenses for manufactured home salespersons, manufacturers, installers, brokers, and retailers in Texas as required by Texas Occupations Code, Section 1201.101. The Division had processes and related controls in place to help ensure that it issued and monitored licenses in accordance with applicable requirements. Specifically, for all 30 licenses tested with a status that allowed the licensee to conduct business, the Division:

- Ensured that the licenses were issued to qualified applicants by verifying that each applicant submitted a complete application and completed a background check. It also ensured that all 28 of those applicants that were classified as “active” met the Division’s education requirements.<sup>7</sup>
- Issued the licenses within 7 business days after the applicant submitted all required information and documentation to the Division, as required by Title 10, Texas Administrative Code, Section 80.41.
- Collected the correct fee amounts prior to issuing a license.

Additionally, the Division correctly classified all 30 inactive licenses tested and ensured that, when necessary, those inactive license holders were no longer conducting business.

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<sup>6</sup> The risk related to the issues discussed in Chapter 2-C is rated as Low because the audit identified strengths that support the audited entity’s ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the program(s)/function(s) audited.

<sup>7</sup> The other two licenses tested were classified as “provisional” and “probation.”

## ***The Department Had Processes in Place for Change Management; However, the Division Should Strengthen Its User Access Controls***

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**Chapter 3  
Rating:  
Medium<sup>8</sup>**

The Department of Housing and Community Affairs (Department) established a change management process for programming changes to the Exodus system. In addition, all Exodus change requests tested complied with the Department's requirements. Specifically, all 29 change requests tested were authorized, tested prior to implementation, approved, and implemented by employees different from the employees who developed the program change.

Additionally, the Division limited access to only those individuals needing that access. However, it did not always base that access on the users' assigned job duties. Not ensuring that access to Exodus is appropriately restricted increases the risk that information could be viewed or changed inappropriately.

### **Recommendation**

The Division should ensure that user access to its information systems is appropriately restricted based on the users' assigned job duties.

### **Management's Response**

*Agreed. To ensure proper system access and security, the SOP 2517.01 for System Access has been implemented charging management with the responsibility of updating security access when an employee's responsibilities change and/or when an employee is no longer employed and reviewing security access on a quarterly basis to ensure that security access is current.*

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<sup>8</sup> The risk related to the issues discussed in Chapter 3 is rated as Medium because they present risks or effects that if not addressed could moderately affect the audited entity's ability to effectively administer program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

# Appendices

Appendix 1

## **Objective, Scope, and Methodology**

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### **Objective**

The objective of this audit was to determine whether the Department of Housing and Community Affairs' (Department) Manufactured Housing Division (Division) has processes and related controls to help ensure that it conducts regulatory activities for the manufactured housing industry in accordance with applicable requirements.

### **Scope**

The scope of this audit covered installation inspections conducted, Texas Seals issued, complaints closed, and licenses issued, suspended, or expired from September 1, 2017, through March 31, 2019.

### **Methodology**

The audit methodology included conducting interviews with Division management and staff; collecting information and documentation on installation inspections, Texas Seals, complaints, and licenses; performing selected tests and procedures on the information obtained; and analyzing and evaluating the results of those tests.

In addition, the methodology included performing a limited review of the Department's general controls for change management and the Division's application controls for user access and data processing over the Exodus system, which the Division used to manage inspection, Texas Seal, complaint, and licensing information.

### **Data Reliability and Completeness**

To test the Division's processes, auditors used data from Exodus related to Texas Seals, complaints, and licenses from September 1, 2017, through March 31, 2019. Auditors performed certain data analyses, reviewed queries, and compared that data to the Division's hard copy documentation. In addition, auditors tested user access, change management, and selected application controls for Exodus. Auditors determined that Texas Seals, complaints, and licenses data was sufficiently reliable for the purposes of this audit.



Auditors also assessed the reliability of the installation inspection data in Exodus and determined that the Division did not have adequate controls to ensure the accuracy of the information entered into Exodus for installation inspections (see Chapter 1 for more information). While auditors determined that the inspection data was not sufficiently reliable for purposes of this audit, that data was the most complete population of the installation inspections available; therefore, auditors used that data for testing and analysis.

### **Sampling Methodology**

Auditors selected nonstatistical samples primarily through random selection of inspections, Texas Seals, complaints, licenses, and Exodus system change requests. In some cases, auditors selected additional inspections, Texas Seals, complaints, licenses, and Exodus system change requests for testing based on risk. Those sample items generally were not representative of the population. The test results as presented in this report did not identify which items were randomly selected or selected using professional judgment. Therefore, it would not be appropriate to project those test results to the population.

Information collected and reviewed included the following:

- Division policies and procedures.
- Exodus information for installation inspections, Texas Seals, complaints, and licenses.
- Statement of Ownership applications and other Texas Seal supporting documents.
- Complaint case action recommendation forms, warranty orders, and other supporting documentation.
- License applications, education documents, criminal background checks, and other supporting documentation.
- User access data and change work orders for Exodus.

Procedures and tests conducted included the following:

- Interviewed Division staff to identify the Division's processes for installation inspections, issuing Texas Seals, processing complaints, and issuing licenses, including internal controls and the information that supports those processes.
- Reviewed Division policies and procedures.

- Tested samples of installation inspections, Texas Seals, complaints, and licenses.
- Performed data analysis on installation inspection data.
- Tested a sample of changes made to Exodus.
- Tested user access to Exodus.
- Tested certain application controls in Exodus.

Criteria used included the following:

- Division policies and procedures.
- Texas Government Code, Chapter 2306.
- Texas Occupations Code, Chapter 1201.
- Title 10, Texas Administrative Code, Chapter 80.

### **Project Information**

Audit fieldwork was conducted from March 2019 through September 2019. We conducted this performance audit in accordance with generally accepted government auditing standards<sup>9</sup>. 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.

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

- Sarah Puerto, CIA, CFE, CGAP (Project Manager)
- Link S. Wilson (Assistant Project Manager)
- Jeffrey D. Criminger
- Austin McCarthy, MAcy
- Sterling Pape
- Venus Santos
- Dana Musgrave, MBA (Quality Control Reviewer)
- Audrey O'Neill, CIA, CFE, CGAP (Audit Manager)

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<sup>9</sup> United States Government Accountability Office's *Government Auditing Standards*, 2011 Revision.

## ***Issue Rating Classifications and Descriptions***

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Auditors used professional judgment and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters/sub-chapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective.

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.

Table 2 provides a description of the issue ratings presented in this report.

Table 2

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

Copies of this report have been distributed to the following:

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The Honorable Dan Patrick, Lieutenant Governor, Joint Chair  
The Honorable Dennis Bonnen, Speaker of the House, Joint Chair  
The Honorable Jane Nelson, Senate Finance Committee  
The Honorable Robert Nichols, Member, Texas Senate  
The Honorable Dustin Burrows, House Ways and Means Committee

### **Office of the Governor**

The Honorable Greg Abbott, Governor

### **Manufactured Housing Division**

Members of the Manufactured Housing Board

Ms. Sheila M. Vallés-Pankratz, Chair

Mr. Jason R. Denny

Ms. Sylvia L. Guzman

Mr. Ronnie Richards

Mr. Keith C. Thompson

Mr. Joe Garcia, Executive Director

### **Department of Housing and Community Affairs**

Members of the Department of Housing and Community Affairs Board

Mr. J.B. Goodwin, Chair

Ms. Leslie Bingham Escareño, Vice-Chair

Mr. Paul A. Braden

Ms. Asusena Reséndiz

Ms. Sharon Thomason

Mr. Leo Vasquez

Mr. Bobby Wilkinson, Executive Director



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