

Housing Division

Department of Business and Industry

Audit Highlights



Highlights of Legislative Auditor report on the Housing Division, issued on May 8, 2002.
Report # LA02-22.

Purpose of Audit

The purpose of this audit was to determine if the Division complied with monitoring requirements for the multi-family affordable housing program established by federal and state laws and regulations, and Division policies. This audit included the activities of the Housing Division's multi-family affordable housing program for the 18 month period ended June 30, 2001.

Audit Recommendations

This report contained five recommendations to improve the monitoring function over the Housing Division's multi-family affordable housing program. Specifically, the Division should prepare notices of noncompliance, as required by federal and state regulations and Division policy. In addition, the Division needs to monitor all projects annually and review tenant files in accordance with established goals. The Division should also conduct tenant file reviews for all newly completed projects prior to notifying the Internal Revenue Service of the project's eligibility for tax credits. Finally, the Division needs to update its policies and procedures manual to reflect current practices and regulatory requirements, and to provide clear guidance to staff for monitoring the multi-family affordable housing program.

The Division accepted all five audit recommendations.

Status of Recommendations

The Division's 60-day plan for corrective action was received July 26, 2002. The plan indicates that good progress is being made to implement the five audit recommendations.

The Division's six-month report on the status of audit recommendations is due February 3, 2003.

Results in Brief

Although the Division complied with many requirements for monitoring its multi-family affordable housing program, some exceptions were noted involving the Division's monitoring efforts. Instances of noncompliance with program rules discovered during the Division's monitoring efforts were dealt with inconsistently. In addition, the Division did not meet its goal for monitoring projects financed through the multi-family affordable housing program. As a result, the risk that ineligible tenants will occupy project units designated for low- and moderate-income households increases. Finally, existing policies and procedures could be strengthened to help ensure its goals are met and its monitoring techniques are consistent.

Principal Findings

The Division inconsistently followed required procedures for notifying project owners and the Internal Revenue Service of instances of non-compliance. In 7 of the 18 projects where non-compliance was identified, there was no evidence a notice of noncompliance was sent to the project owner. Further, 11 of the 18 project files contained no evidence the IRS was notified of the noncompliance. By not following up with the appropriate notifications, projects may continue to operate out of compliance with key requirements of the multi-family affordable housing program and ineligible tenants could occupy units designated for low- and moderate-income tenants.

The Division met its goal for monitoring multi-family affordable housing projects in only 62% of the project files we examined. Specifically, 8 of the 42 project files examined lacked evidence tenant files were reviewed. An additional five files contained evidence of review, but those reviews fell short of the one-third requirement established by the Division. Further, another three files had evidence some review had been done, but the files were not complete to determine the extent of those reviews. Regular monitoring reduces the risk projects will house ineligible tenants or that projects will fall into a state of decay and disrepair.

The Division did not always conduct tenant file reviews for the ten multi-family affordable housing projects completed during fiscal year 2001. No evidence could be found that tenant files were reviewed for 7 of the 10 projects. These reviews are performed to determine if new projects are in compliance with applicable federal rules and regulations prior to notifying the Internal Revenue Service that a project is eligible to receive tax credits.

Although the Division has developed a procedures manual for monitoring the multi-family housing program, it could be strengthened. The manual has not been updated for current practices, does not always provide clear or complete guidance to staff, and could better document review and oversight responsibilities.