



State of New Hampshire

HOME Investment Partnerships Program

**Office of Audit, Region 1
Boston, MA**

**Audit Report Number: 2015-BO-1005
September 30, 2015**



To: Robert D. Shumeyko
Director of Community Planning and Development, 1CPD

From: //SIGNED//
Edward Jeye
Regional Inspector General for Audit, Boston Region, 1AGA

Subject: The New Hampshire Housing Finance Authority Administered Its HOME Investment Partnerships Program in Accordance With HUD Requirements

Attached, is the U.S. Department of Housing and Urban Development (HUD) Office of Inspector General's (OIG) final results of our review of the New Hampshire Housing Finance Authority's HOME Investment Partnerships Program.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call John Harrison, Acting Assistant Regional Inspector General for Audit at 212-264-4174, or me at 617-994-8380.



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The New Hampshire Housing Finance Authority Administered Its HOME Investment Partnerships Program in Accordance With HUD Requirements

Highlights

What We Audited and Why

We audited the New Hampshire Housing Finance Authority's HOME Investment Partnerships Program based on a risk analysis of the Authority's program that considered the amount of funding and the results of HUD monitoring reviews and because the Office of Inspector General had not reviewed the Authority's HOME program within the past 10 years. Our audit objective was to determine whether Authority officials administered the HOME program in compliance with U.S. Department of Housing and Urban Development (HUD) requirements.

What We Found

Authority officials administered the HOME program in compliance with HUD requirements. Our review of approximately \$3.7 million, representing 17 percent of the more than \$22.3 million in HOME funds committed to 36 projects that were active during the period July 1, 2011 through June 30, 2014, disclosed that HOME funds were properly committed for eligible activities, disbursed for eligible costs, and properly supported.

What We Recommend

The report contains no recommendations.

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Background and Objective

The HOME Investment Partnerships Program, established under Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990, was designed to create affordable housing opportunities for low-income households. HOME is the second largest Federal block grant program, to which HUD has allocated approximately \$1 billion annually in formula grants to State and local governments. HOME regulations are found at 24 CFR (Code of Federal Regulations) Part 92, and HUD has provided additional program guidance in its guidebook, Building HOME, dated March 2008, as well as in community planning and development notices.

The HOME program allows States and local governments flexibility to use HOME funds for a variety of activities to address local housing needs through grants, direct loans, loan guarantees or other forms of credit enhancement, or rental assistance or security deposits. Participating jurisdictions may choose among a broad range of eligible activities, including

- Home purchase or rehabilitation financing assistance to eligible homeowners and new home buyers;
- Building or rehabilitating housing for rent or ownership or other reasonable and necessary expenses related to the development of nonluxury housing, including site acquisition or improvement;
- Demolition of dilapidated housing to make way for HOME-assisted development; and
- Payment of relocation expenses.

Up to 10 percent of the HOME funds received by a participating jurisdiction may be used for HOME administrative purposes.

The New Hampshire Housing Finance Authority was awarded more than \$13.6 million in HOME funds in fiscal years 2011 through 2014. The Authority was created by chapter 204-C of the Revised Statutes Annotated for New Hampshire and is governed by a nine-member board appointed by the governor and confirmed by the executive council. Its mission is to provide financial and technical assistance to create and support affordable housing opportunities and housing services for low- to moderate-income residents through the efficient use of resources and the building of effective partnerships, which contribute to the economic and social development of the State and its communities. In its most recent action plan, the Authority's highest priorities were to develop and preserve affordable rental housing for low- and very low-income families and serve very low-income special needs populations.

Our objective was to determine whether Authority officials administered the HOME program in compliance with HUD requirements.

Results of Audit

Finding: The New Hampshire Housing Finance Authority Administered Its HOME Program in Accordance With HUD Requirements

For the funds audited, Authority officials administered the HOME program in compliance with HUD requirements. Specifically, Authority officials committed and spent HOME funds for eligible activities in accordance with requirements, properly accounted for matching funds and program income and certified and funded community housing development organizations, and spent planning and administration costs in accordance with program requirements.

Funds Were Committed and Spent in Accordance With HOME Requirements

Authority officials committed \$22.3 million in HOME funds to 36 activities during our audit period for eligible activities within 24 months of HUD making the funds available as required by 24 CFR 92.500(d)(1)(B) and completed environmental site assessments before committing funds as required by 24 CFR 92.352(b)(1). In addition, the funds were spent in a timely manner as required by 24 CFR 92.500(d)(1)(C), and eligible matching funds were obtained as required by 24 CFR 92.220(a). A review of sampled administrative costs claimed in fiscal year 2014 disclosed that they were eligible, reasonable, and adequately supported and within the 10 percent of HOME funding limitation imposed by 24 CFR 92.207.

Authority officials also ensured that all procurements were executed in accordance with Federal requirements, program income was properly reported and used for eligible activities, and Authority records reconciled with HUD's Integrated Disbursement and Information System.¹ Further, Authority officials ensured that officials of HOME-assisted projects sampled maintained adequate waiting lists and tenant selection policies, properly certified and recertified tenants, ensured that units met HUD housing property standards, and ensured that investment on a per-unit basis did not exceed the per-unit dollar limitations established by HUD.

Authority officials properly certified in accordance with HUD regulations their six community housing development organizations, which functioned as sponsors of housing projects. In addition, as required by 24 CFR 92.300, Authority officials set aside more than the 15 percent community housing development organization reserve requirement for fiscal years 2012 through 2014.

¹ HUD's Integrated Disbursement and Information System is the drawdown and reporting system for all of HUD's community planning and development formula grant programs, including the HOME program.

We attributed these results to Authority officials' strengthening of controls over program administration and the monitoring of HOME-funded activities in response to the findings of a monitoring review initiated by HUD's Boston Office of Community Planning and Development in August 2013. This monitoring review reported deficiencies relating to cost allocation, insufficient information for written agreements, and inadequate supporting documentation. Authority officials had taken corrective actions to strengthen controls over program administration and the monitoring of HOME-funded project activities.

Conclusion

Authority officials administered their HOME program in compliance with HUD requirements for the commitments and expenditures sampled and implemented adequate controls to ensure that HOME funds were properly committed and spent for eligible activities.

Scope and Methodology

This audit focused on whether Authority officials administered the HOME program in compliance with HUD requirements. We conducted the audit from January to April 2015 at the Authority's office, located at 32 Constitution Drive, Bedford, New Hampshire. Our audit covered the period July 1, 2011, through June 30, 2014, and was extended when necessary to meet our audit objective.

To accomplish our objective, we

- Reviewed relevant HOME program requirements and applicable Federal regulations to gain an understanding of the HOME administration requirements.
- Reviewed the Authority's action plans for program years 2012 through 2014 and consolidated annual performance and evaluation reports for HOME program years 2012 and 2013 to gather data on the Authority's expenditures and planned activities to provide a framework for selecting a sample of HOME activities for testing.
- Obtained an understanding of the Authority's management controls and procedures through analysis of its program procedures and policies and Authority officials' response to a management control questionnaire.
- Reviewed the Authority's procedures and policies related to various activities, including multifamily new construction and rehabilitation and community housing development organization activities administered by the Authority and its subrecipients.
- Reviewed the latest HUD monitoring report and the Authority's independent public accountant reports for fiscal years 2012 through 2014 to identify any issues warranting followup.
- Reconciled HOME funds committed and drawn down by the Authority through HUD's Integrated Disbursement and Information System with the Authority's financial records and supporting documentation. Our assessment of the reliability of HUD's data was limited to the data sampled; therefore, we did not assess the reliability of HUD's system.
- Reviewed the 36 activities for which \$22.3 million had been committed during the audit period to determine whether HOME funds had been committed and expended in a timely manner as required and had an environmental review assessment completed prior to commitment of funds.
- Selected a sample of 4 of the Authority's 36 open HOME-funded activities during the audit period, for which approximately \$3.7 million was committed, representing 17 percent of the \$22.3 million in HOME funds committed during the audit period, to

determine whether assisted units met HOME housing standards and tenants were properly certified.

- Reviewed administrative procedures put into place in fiscal year 2014 as a result of the monitoring review and the associated costs to determine whether the funds were drawn down for eligible costs and did not exceed the 10 percent limit.
- Reviewed the disbursements in HUD's Integrated Disbursement and Information System and the Authority's matching contributions to determine whether they were properly calculated and obtained from eligible sources in accordance with program requirements.
- Reviewed program income earned by the Authority to determine whether it was properly accounted for and used in accordance with program requirements.

We conducted the audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objective(s). We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objective.

Internal Controls

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives, with regard to

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Program operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Validity and reliability of financial data – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resources use is consistent with laws and regulations.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations, on a timely basis.

We evaluated internal controls related to our audit objective in accordance with generally accepted government auditing standards. Our evaluation of internal controls was not designed to provide assurance regarding the effectiveness of the internal control structure as a whole.

Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Appendix A

Auditee Comments



New Hampshire Housing

Assisted Housing
(800) 439-7247
Fax: (603) 472-8729

Home Ownership
(800) 649-0470
Fax: (603) 472-2663

General
(800) 640-7239

September 28, 2015

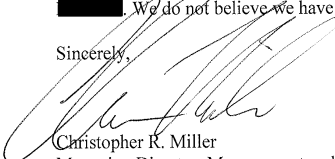
Mr. Edward Jeye
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Boston, MA 02222-1092

Dear Mr. Jeye,

Thank you for sharing the Draft Audit Report of the New Hampshire Housing Finance Authority's administration of the HOME Investment Partnerships Program (HOME) and providing us the opportunity for comment. We are pleased that the HUD OIG found NHHFA to be in compliance with HUD requirements and that NHHFA had properly committed funds for eligible activities, disbursed for eligible costs and had proper support documentation.

While undergoing audits and monitoring visits is always challenging, we were pleased with the professionalism and cooperative attitude of the audit team, [REDACTED]. We do not believe we have further comments to add relative to the Draft Audit Report.

Sincerely,


Christopher R. Miller
Managing Director, Management and Development

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