



Village North Apartments Salt Lake City, UT

Loan Management Set-Aside Program



To: Tom Azumbrado, Regional Director, West Multifamily Region, 9AHMLAP

//Signed//

From: Ronald J. Hosking, Regional Inspector General for Audit, 8AGA

Subject: Village North generally verified each tenant's income, social security number, and citizenship status in accordance with HUD's rules and regulations.

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of Village North Apartment's Multifamily loan management set-aside program.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

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 me at 913-551-5870.



Audit Report Number: 2017-DE-1001

Date: February 28, 2017

Village North Generally Verified Tenant Eligibility

Highlights

What We Audited and Why

We audited Village North Apartments based on concerns that surfaced during another assignment when it appeared as though Village North might have moved tenants in and out of units and collected housing assistance payments for them without changing the social security numbers or birthdates for the new tenants. The objective of our audit was to determine whether Village North properly confirmed the eligibility of its tenants.

What We Found

For the nine tenant files we reviewed, Village North properly verified each tenant's income, social security number, and citizenship status in accordance with HUD's rules and regulations.

What We Recommend

We have no recommendations.

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Background and Objectives

Village North Apartments is a 92-unit multifamily property located in Salt Lake City, UT, that provides housing to low income tenants. The apartments were originally developed in 1973 under the Section 236 program and remained a part of that program until the loan matured in 2014. In 1995, Village North went through the Title VI Preservation Program and currently has a Loan Management Set-Aside Contract on all 92 units. Loan Management Set-Aside Contracts require owners to comply with applicable income eligibility and occupancy requirements.

The United States Department of Housing and Urban Development's (HUD) Loan Management Set-Aside program provides rental subsidies to multifamily properties that have insured mortgages and that are in immediate or potential financial difficulty. HUD provides Village North with rental subsidies known as Housing Assistance Payments (HAP) pursuant to a HAP Contract. The purpose of the HAP contract is to provide housing assistance payments on behalf of eligible families. In order to be eligible for these subsidies, tenants must fall below certain income thresholds and meet other specific criteria.

Our audit objective was to determine whether Village North properly confirmed the eligibility of its tenants.

Results of Audit

Finding: Village North Generally Verified Tenant Eligibility

Village North generally verified tenant eligibility in accordance with Federal requirements.

Tenants Were Eligible

For the nine tenant files we reviewed, Village North properly verified each tenant's income, social security number, and citizenship status in accordance with HUD's rules and regulations. These rules and regulations require projects to obtain income verifications, proof of valid social security numbers, and signed affidavits from tenants certifying their citizenship status. Village North collected the necessary supporting documents to confirm that the nine sampled tenants were eligible for assistance.

Recommendations

We have no recommendations.

Scope and Methodology

Our audit work covered Village North's records from January 1, 2010, to November 30, 2016. We performed our work between October and November 2016 at the property located at 644 North 900 West, Salt Lake City, UT.

To accomplish our objectives, we

- Studied background information and applicable laws and regulations,
- Reviewed tenant eligibility by validating tenant information located in Village North's tenant files,
- Interviewed Village North's managing member and its staff, and
- Spoke with HUD staff responsible for the program.

To select our sample, we used the November 2016 rent-roll which contained 86 tenant records. We sorted the tenant records by social security number and selected three files with similar social security numbers to ensure property management correctly verified the tenants' identity. Additionally, we selected six tenants who resided in the units the longest to ensure property management correctly documented any tenants moving in or out of the units during our audit period. We did not review 100 percent of the tenant files and we did not use statistical sampling. This means the results of our audit apply only to the items we tested and are not projected to the universe.

We did not rely on computer-generated data as audit evidence or to support our audit conclusions. We based our conclusions on the source documentation we reviewed during the audit. We also used source documentation obtained from HUD and the auditee for background information purposes.

We conducted the audit 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.

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:

- Controls to ensure that Village North's tenants were eligible.

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 the 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 Village North's internal controls.

Appendix A

Auditee Comments and OIG's Evaluation

Village North chose not to provide comments to the report due to the positive nature of the report.