



**Idaho Housing and Finance Association
Boise, ID**

HOME Investment Partnerships Program



U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT
OFFICE OF INSPECTOR GENERAL

Issue Date: December 21, 2012

Audit Report Number: 2013-SE-1001

TO: Douglas P. Carlson, Director, Portland Office of Community Planning and Development, OED

//signed//

FROM: Ronald J. Hosking, Regional Inspector General for Audit, OAGA

SUBJECT: The Idaho Housing and Finance Association, Boise, ID, Did Not Always Comply With HOME Investment Partnerships Program Match and Compliance Monitoring Requirements

Enclosed is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General (OIG), final results of our review of the Idaho Housing and Finance Association's compliance with HOME Investment Partnerships Program requirements.

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 8L, 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.



December 21, 2012

The Idaho Housing and Finance Association, Boise ID, Did Not Always Comply With HOME Investment Partnerships Program Match and Compliance Monitoring Requirements

Highlights

Audit Report 2013-SE-1001

What We Audited and Why

We audited the Idaho Housing and Finance Association's HOME Investment Partnerships Program because it received approximately \$6 million in HOME grants from the U.S. Department of Housing and Urban Development (HUD) in each of fiscal years 2008 through 2010. The objective of our review was to determine whether Idaho Housing complied with HOME match fund and compliance monitoring requirements.

This is the second of two reports on Idaho Housing's HOME program.

What We Recommend

We recommend that HUD require Idaho Housing to provide eligible matching contributions, support, or both for more than \$4.6 million in ineligible and unsupported matching contributions or repay HOME grant funds received of up to \$18.5 million for any matching contributions it cannot support and separately track its affordable housing bond matching contributions carried forward. We also recommend that Idaho Housing bring its properties up to HUD standards or reimburse its HOME trust fund from non-Federal funds up to \$2.2 million for any properties that remain substandard.

We reached management decisions concurrent with issuance of our report as a result of a management decision memorandum from the action official, dated December 20, 2012.

What We Found

Idaho Housing did not always comply with requirements for providing match funds for its HOME projects. This condition occurred because Idaho Housing did not document and track matching contributions, reconcile match liability amounts, and require supervisors to review match reports and support. As a result, if Idaho Housing is unable to provide eligible nonbond match funds for 2005 through 2010, it could deprive its low- and very low-income families of needed benefits because it might have to repay more than \$18.5 million in HOME funds.

Idaho Housing also did not adequately monitor the compliance of its HOME projects. This condition occurred because Idaho Housing did not require its staff and project owners to perform all necessary review and follow up activities. As a result, some of its HOME projects had significant physical condition deficiencies and tenant eligibility violations.

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BACKGROUND AND OBJECTIVE

HOME Investment Partnerships Program

The National Affordable Housing Act of 1990 created the U.S. Department of Housing and Urban Development's (HUD) HOME Investment Partnerships Program. By establishing the HOME program, Congress intended to establish a partnership between the Federal Government and States, units of local government, and nonprofit organizations to expand the supply of affordable, standard housing for low-income families.

In keeping with the concept of partnership, each jurisdiction participating in the HOME program is required to make contributions to HOME-qualified housing in an amount equal to 25 percent of the HOME funds drawn down for housing projects. These contributions are referred to as "match." A jurisdiction incurs a match liability each fiscal year based on the amount of HOME funds drawn down from its U.S. Treasury account. In each fiscal year, a jurisdiction must make eligible matching contributions in an amount that equals the match liability incurred during that fiscal year. Matching contributions made in excess of the match liability may be carried forward as match credit toward meeting the match liability incurred in future years. Each year, the jurisdiction must submit a financial report in its consolidated annual performance and evaluation report showing the amount of match funds carried forward from the previous year, the amount contributed, the liability amount, and the excess match funds carried forward to the next year. The report also includes match contribution details by type and date contributed for each project.

Participating jurisdictions must track matching contributions provided by maintaining records demonstrating compliance with match requirements, including keeping a running log and multiyear project records documenting the type, amount, and date of the matching contributions for each project. Matching contributions derived from single-family affordable housing bonds are limited to 25 percent of the total fiscal year liability and, therefore, must be tracked separately.

Participating jurisdictions are also required to perform onsite inspections of HOME-assisted rental housing at project completion and during the period of affordability. The jurisdictions must determine whether the housing complies with property standards. They must also verify that the information submitted by the owners meets HOME requirements. This requirement includes information showing that the owners have complied with property and housing quality standards and are able to continue to meet these standards.

Idaho Housing and Finance Association

In January 1991, the governor of Idaho designated the Idaho Housing and Finance Association as the appropriate agency to act on behalf of the State of Idaho for all purposes under the Act. The intent of Idaho Housing's HOME program is to increase the availability of safe and decent housing for low- and very low-income families, seniors, and individuals. As a participating jurisdiction for HUD, Idaho Housing spent more than \$19.8 million in HOME funds on 553 activities of the activity types shown below from April 2008 through February 2011.

Type	Activity	Funds expended
Single family	Acquisition and new construction	\$ 771,851
Single family	Acquisition only	6,328,265
Single family	New construction	569,118
Multifamily	Acquisition and new construction	1,075,115
Multifamily	Acquisition and rehabilitation	1,022,898
Multifamily	Acquisition only	1,974,372
Multifamily	New construction	5,504,610
Other	Administration and other	2,602,353
Total		\$19,848,582

Idaho Housing’s Grant Programs Department is responsible for HOME projects from application through completion, including keeping track of and reporting its matching contributions. It is also responsible for enforcing the regulatory agreement. Idaho Housing’s Housing Compliance and Program Support Department is responsible for HOME compliance monitoring, including inspections, and follow-up.

The objective of our review was to determine whether Idaho Housing complied with HOME match fund and compliance monitoring requirements.

RESULTS OF AUDIT

Finding 1: Idaho Housing Did Not Always Comply With HOME Requirements for Providing Match Funds

Idaho Housing did not always comply with requirements for providing match funds for its HOME projects. This noncompliance occurred because Idaho Housing did not document and track matching contributions, reconcile match liability amounts, and require supervisors to review match reports and support. As a result, if it is unable to provide eligible nonbond matching contributions for 2005 through 2010, it could deprive Idaho Housing's low- and very low-income families of needed benefits because it might have to repay more than \$18.5 million in HOME funds.

Idaho Housing Did Not Always Comply With HOME's Match Requirements

Idaho Housing did not always comply with requirements for providing match funds for its HOME projects. We identified the following issues with the match funds reported in Idaho Housing's 2006 through 2010 consolidated annual performance and evaluation reports: ineligible and unsupported matching contributions, untracked bond match carried forward, and match fund calculation errors.

Idaho Housing Reported Ineligible and Unsupported Matching Contributions

Idaho Housing reported ineligible and unsupported matching contributions. To be considered eligible as a matching contribution, the match source, form, and valuation must be adequately documented as detailed in Community Planning and Development Notice 97-03, HOME Program Match Guidance.

We reviewed matching contribution supporting documents for 10 of 28 multifamily and single-family projects and miscellaneous single-family homes that were completed or in process during our audit period and had reported match funds. Each project reviewed had ineligible, inaccurately valued, or inadequately supported matching contributions. For example,

- Idaho Housing reported ineligible matching contributions of \$364,928 for Neider House Apartments. In July 2008, the owner's representative sent an email to Idaho Housing with estimates of costs to be contributed to the project. Idaho Housing reported these estimates as match funds without

performing verification and analysis of the amount reported. The email included \$1,480 for estimated labor costs of a finance director and project coordinator for attendance at a public meeting, classified as in-kind assistance. However, according to 24 CFR (Code of Federal Regulations) 92.220(b), contributions from recipients of HOME assistance are not eligible (see appendix D). The email also included \$363,448 for estimated roadway and infrastructure costs that were later billed to and paid by the project, not donated.

- Idaho Housing reported \$243,000 in inaccurately valued and inadequately supported matching contributions for Rose Park Place. It used the estimated value of land donated for its matching contribution amount. However, the estimated value exceeded the appraised value of the land by \$3,000. In addition, Idaho Housing did not fully support the \$240,000 appraised value of the land. According to the property appraisal, the \$240,000 value of the land was "...as if vacant." Idaho Housing did not reduce the value of the land for the costs incurred to make it vacant.
- Idaho Housing reported \$103,137 in duplicated and outdated matching contributions for Creekside Senior apartments. Contrary to 24 CFR 92.508, it did not maintain project records documenting the type and amount of match funds contributed for each project by fiscal year (see appendix D). It reported \$69,578 in affordable housing program match funds in 2007 that were also reported in 2005. In addition it reported \$33,359 in match funds that were dated September 2003. These match funds were not reported in 2003. However, Idaho Housing was unable to locate a match report for 2004, so we were unable to determine whether the match funds were reported in 2004.

See the table below and appendix C for the results for the other seven projects reviewed.

Project	Deficiency noted	Amount
Cardona Senior	Inadequate support	\$ 46,791
Clover Creek I	Inadequate support	13,996
Clover Creek II	Inadequate support	7,568
Clover Creek III	Inadequate support	4,049
Creekside LP	Ineligible, inaccurate valuation	69,159
EICAP Lakeview	Inaccurate valuation	383,365
EICAP Market Lake	Inaccurate valuation	95,688

Idaho Housing did not provide us with support for the reported nonbond matching contributions for the remaining 18 multifamily and single-family projects and miscellaneous single-family homes as shown in appendix C. Therefore, more than \$3.5 million in other matching contributions reported for all projects during 2006 through 2010 was unsupported. Idaho Housing agreed with this amount.

Idaho Housing Did Not Separately Track Bond Match Carried Forward

Idaho Housing tracked the bond and nonbond match funds it contributed each year but not as contributions carried forward to the next fiscal year. Notice 97-03 (see appendix D) limits affordable housing bond match funds to 25 percent of the match liability in each year. However, in 2005, Idaho Housing did not separately track excess affordable housing bond matching contributions carried forward to ensure that they did not exceed the limitation. In 2008 and 2009, Idaho Housing’s nonbond matching contributions decreased below the amount needed. This decrease resulted in its use of additional bond matching contributions that exceeded the 25 percent limitation by a total of \$639,208 as shown below.

Program year	Excess non-bond carried forward	Nonbond contribution	Total nonbond available	Non-bond needed	Nonbond deficiency	Bond match used in excess of 25% limitation
2006	\$ 31,105	\$1,109,912	\$1,141,017	\$ 728,137	0	0
2007	412,880	1,148,783	1,561,663	779,549	0	0
2008	782,114	737,558	1,519,672	1,575,218	\$55,546	\$ 55,546
2009	0	367,385	367,385	951,047	583,662	583,662
2010	0	681,108	681,108	266,455	0	0
Total					\$639,208	\$639,208

Idaho Housing’s Match Reports Contained Errors

Idaho Housing miscalculated its reported match liability for each year of our audit period. According to the HOME match reporting form instructions, program income does not need to be matched. However, for all years except 2008, program income was included in the match liability, resulting in the liability’s being overstated. For 2008, the match liability excluded funds for projects that went forward, resulting in the liability’s being understated.

The effect of these errors is shown below.

Program year	Reported liability	Liability overstated (understated)	Corrected liability
2006	\$ 970,849	\$ 337,873	\$ 632,976
2007	1,039,399	180,424	858,975
2008	2,100,291	(11,178)	2,111,469
2009	1,268,063	229,678	1,038,385
2010	395,273	61,955	333,318

Idaho Housing’s 2010 match report contained an additional calculation error. Idaho Housing added the match liability of \$395,273 to the amount contributed to arrive at the excess match funds for the fiscal year, instead of subtracting it. As a result, 2010 excess match funds were overstated by \$790,546.

Idaho Housing's Procedures Were Not Adequate

Idaho Housing’s administrative plan contained its policy and HOME match fund requirements, but it did not have procedures requiring that

- Staff document matching contributions according to the requirements in Notice 97-03,
- Staff maintain separate affordable housing bond and project matching contribution tracking logs,
- Staff reconcile match liability amounts based on Idaho Housing’s fiscal year to amounts based on HUD’s fiscal year, and
- Supervisors review the match reports and the support for the amounts in those reports.

Idaho Housing provided us with new match fund procedures during the audit. We reviewed these procedures and provided our feedback. While the procedures were improved, they were not adequate. Idaho Housing needs to implement complete controls to ensure that the future match funds contributed and credited comply with requirements.

Low-Income Families Might Not Receive Needed Benefits

Based on the lack of documentation of nonbond matching contributions and lack of tracking of bond match carried forward, Idaho Housing did not know whether its balance for match funds was accurate. If Idaho Housing is unable to provide eligible nonbond match funds for program years 2006 through 2010, it could deprive Idaho Housing’s low- and very low-income families of needed benefits because it might have to repay more than \$18.5 million in HOME funds and remove the match funds from its books.

The ineligible and unsupported nonbond matching contributions reported in this finding were used to secure more than \$18.5 million in HOME funds. Specifically, about \$461,000 in ineligible matching contributions was used to secure almost \$2 million in HOME funds, more than \$3.5 million in unsupported matching contributions was used to secure more than \$14 million in HOME funds, and more than \$639,000 in bond matching contributions was improperly used to secure \$2.5 million in HOME funds.

Conclusion

Idaho Housing did not meet the requirements for providing matching contributions for 25 percent of its HOME funding due to ineligible and unsupported nonbond matching contributions. It was in the process of determining the eligibility of the matching contributions it previously reported and matching contributions identified in project applications but not previously reported. Since it could not support the amount it carried over to its fiscal year 2006 report, it planned to resubmit its match reports for 2006 through 2010 beginning with a carry forward amount of \$0 based on this review. See appendix C for the amount of matching contributions needed to satisfy the corrected liability by program year.

Recommendations

We recommend that the Director of the HUD Portland Office of Community Planning and Development require Idaho Housing to

- 1A. Provide \$460,974 in eligible nonbond matching contributions from non-Federal sources for affordable housing projects or repay its HOME trust fund up to \$1,843,896 ($\$460,974/0.25$). Idaho Housing should also be required to remove the ineligible match contributions from its books.
- 1B. Provide support for \$3,538,081 in unsupported matching contributions, provide eligible matching contributions from non-Federal sources for any of these matching contributions it cannot support, or repay its HOME trust fund up to \$14,152,324 ($3,538,081/0.25$) for any amount that is not supported. Idaho Housing should also be required to remove any matching contributions it cannot support from its books.
- 1C. Provide \$639,208 in eligible nonbond matching contributions or repay the HOME trust fund up to \$2,556,832 ($\$639,208/0.25$) for the program years that nonbond matching contributions were deficient because bond match carried forward was not separately tracked.
- 1D. Resubmit its HOME match reports for program years 2006 through 2010 to reflect eligible matching contributions that are adequately supported by its match log and supporting documents. Require Idaho Housing to start

with \$0 match carry forward from prior program years rather than the amount previously reported in the 2006 match report.

- 1E. Prepare and fully implement effective written policies and procedures for compliance with HOME match fund requirements.

Finding 2: Idaho Housing Did Not Adequately Monitor the Compliance of Its HOME Projects

Idaho Housing did not adequately monitor the compliance of its HOME projects. This condition occurred because Idaho Housing did not require its staff and project owners to perform all necessary review and follow up activities. As a result, some of its HOME projects had significant physical condition deficiencies and tenant eligibility violations.

Idaho Housing Did Not Adequately Monitor Compliance

Idaho Housing did not adequately monitor its HOME projects after project completion. Specifically, it did not always

- Adequately perform and document its onsite physical condition inspections,
- Adequately verify occupancy reports and certifications submitted by the owners,
- Provide accurate information and guidance to the projects,
- Conduct onsite monitoring when required, and
- Take appropriate actions to resolve project deficiencies.

Idaho Housing's Onsite Monitoring Was Not Always Adequate

Idaho Housing did not adequately perform and document its onsite physical condition inspections. Its inspection checklists were not always completed, and the second page was sometimes missing. In addition, its staff members used the wrong HUD checklist and did not document that they inspected the exterior structure and materials, site and neighborhood, space and security, and lead-based paint, if applicable, as required by 24 CFR 982.401 (see appendix D).

Idaho Housing also did not always inspect a sufficient number of HOME-assisted units. HOME requires the participating jurisdiction to sample a sufficient number of units during its onsite inspections. HUD's Office of Community Planning and Development, Office of Affordable Housing, clarified HOME's regulation for sample size in its February 2001 HOME Fires publication. It stated that if compliance problems were identified during the onsite inspection of the sampled units, the participating jurisdiction should inspect the remaining HOME-assisted units to determine whether the units complied with established property standards. While Idaho Housing sampled a sufficient number of units initially, it did not inspect all of the units when compliance problems were identified in the units inspected.

For example, the Choice project is comprised of 16 scattered-site single-family rental houses. HOME requires Idaho Housing to inspect a sample of these units every 2 years. During the past two inspection cycles, Idaho Housing inspected four houses each cycle but inspected a total of only six of the houses in 4 years; two of the units were inspected during both inspections. Although Idaho Housing noted significant compliance problems in 5 of the 6 houses it inspected, it did not inspect any of the other 10 houses.

Idaho Housing Did Not Verify Information

Although Idaho Housing reviewed information, such as occupancy reports and certifications submitted by the owners, as part of a desk review, there was no indication that this information was verified during the onsite monitoring as required by HOME regulations at 24 CFR 92.504(d)(1) and Idaho Housing's compliance monitoring procedures (see appendix D). In addition, it did not detect that the information the owners submitted did not include all items required by their regulatory agreements, including evidence of project compliance with property and housing quality standards and the projects' ability to meet the standards.

Idaho Housing Provided Inaccurate Information

Idaho Housing's compliance department provided inaccurate information to the owners of CORE Lodge, a single-room-occupancy HOME project for homeless individuals with mental disabilities. Idaho Housing's 2010 compliance report stated that "...rent plus utilities plus mandatory fees..." must not exceed the maximum rent limit for 2010. However, HOME regulations at 24 CFR 92.252(c) state that the maximum rent limit includes utilities and services but no other mandatory fees (see appendix D). Idaho Housing compliance staff should not have instructed CORE staff to include all of the mandatory fees in the maximum rent but should have instructed them to break out the utilities from the other mandatory fees and include only the utilities in the maximum rent.

In addition, the maximum rent of \$443 that Idaho Housing quoted for these units was not accurate because it was the maximum rent amount for a studio apartment, not for a single room. According to Community Planning and Development Notice 94-01, for group homes, if a HOME-assisted single-room-occupancy unit has neither food preparation nor sanitary facilities or only one, the rent may not exceed 75 percent of the fair market rent for a zero-bedroom unit, or \$332 for 2010. Each of CORE Lodge's units included only sanitary facilities with a shared kitchen.

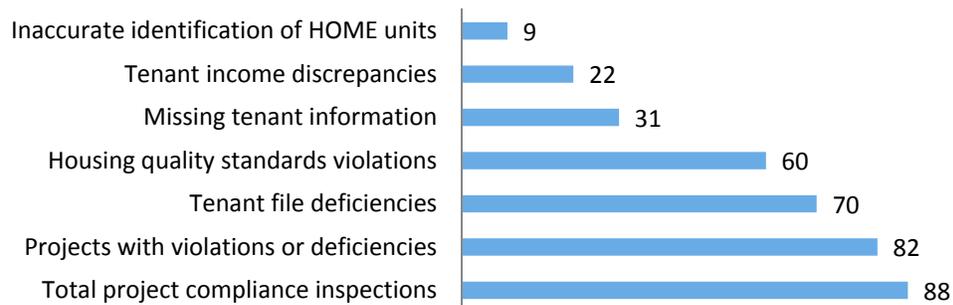
Idaho Housing Did Not Always Monitor Compliance When Required

For two projects (Moscow Transitional and CORE Lodge), Idaho Housing did not conduct onsite monitoring as often as required. Under HOME regulations at 24 CFR 92.504(d)(1), Idaho Housing was required to perform onsite compliance monitoring for these projects every 2 years (see appendix D). However, it performed onsite monitoring of the CORE Lodge only in 2005 and 2010. It did not perform any HOME compliance monitoring of the Moscow Transitional project before the start of our audit.

Idaho Housing Did Not Always Take Appropriate Actions

Idaho Housing did not always take appropriate actions when performance problems arose as required by 24 CFR 92.504 (see appendix D). Idaho Housing's compliance staff reported one or more types of compliance violations or deficiencies for 82 of the 88 projects it reviewed for 2010 as detailed in the chart below.

Results of 2010 compliance review Number of projects with violations or deficiencies



Idaho Housing's compliance staff sent compliance reports to management agents instead of to the owners that certify compliance and did not require that all files be corrected for systemic violations found during tenant file reviews.

In addition, Idaho Housing's compliance department did not enforce timely response and correction of deficiencies. The compliance department gave the owner 30 days to provide documentation to cure compliance findings but did not enforce the 30-day requirement. It often gave the owner one or more additional letters requesting that the findings be cured before sending a notice of default to the owner as stipulated in the loan and regulatory agreement. It also closed some findings when the owner had not cured the findings.

Further, Idaho Housing did not take adequate action against owners that had significant repeat compliance findings. Of the 82 projects with affordable housing requirements and housing quality standards violations, 21 had repeated at least one violation in each of the last four reviews as shown in the table below.

IDIS*	Project name	A	B	C	D	E
1393	Ashton Place Apartments	3	3	2	0	4
3813	Avalon Park	4	3	2	0	3
2613	Berkshire Apartments	4	2	2	0	4
612	Carnoustie Apartments	4	2	2	0	3
3970	Carnoustie II Apartments	3	2	2	0	4
82	Carriage Lane	4	2	1	0	4
4301	Devon Sr. Apartments	4	2	0	0	1
8	El Milagro	4	2	1	0	4
1105	Fox Creek	4	2	1	1	3
46	Hamilton Court	4	0	2	0	4
1085	Kacy Meadows	3	0	0	0	4
939	Meadowbrook	4	2	2	0	3
1102	North Parke Apartments I	4	1	1	0	3
1390	Shannon Glenn at Riverside Apts.	4	4	2	0	4
1686	Sister's Villa	4	1	2	1	1
64	Skyview Terrace Apartments	3	3	2	0	4
1389	Teton View	4	3	1	0	3
1394	Tramore Senior Apartments	4	1	0	0	1
53	Twin Falls Garden Apts.	4	4	2	0	4
105	Western Gales Apartments	4	0	0	0	1
145	Willswood	4	2	2	0	4

* IDIS = HUD's Integrated Disbursement and Information System

A - Tenant file documentation was inadequate or inaccurate.

B - Tenant income discrepancies

C - Missing tenant information

D - Inaccurate identification of HOME units or set-aside percentage

E - Housing quality standards violation

A through D are affordable housing requirements.

Idaho Housing Did Not Have Adequate Procedures

Idaho Housing did not require its staff and project owners to perform all necessary review and follow up activities. Specifically, it did not

- Review the properties for compliance with all HOME requirements. It primarily used compliance policies for its low-income housing tax credit

projects, along with only some HOME requirements that the compliance department determined to be essential.

- Use the Section 8 Housing Choice Voucher program housing quality standards checklist.
- Increase sample sizes when property standards or housing quality standards compliance deficiencies were found during the onsite reviews.
- Require that project owners review all tenant files or inspect all units and correct all deficiencies when deficiencies were found in the sample files or units.
- Require onsite verification of all of the items required in the projects' regulatory agreements and certifications.
- Determine which program requirements were the most restrictive when projects had multiple funding sources and instruct owners, management agents, and compliance staff regarding which requirements they were required to follow.
- Require that the individual receiving the compliance reports be the same individual who signs the certification of compliance to ensure that this individual is aware of compliance problems.
- Require its employees to track and follow up on corrective actions in a timely manner.
- Coordinate the exchange of compliance findings and other project information between the compliance department and grants department.
- Have written guidelines for determining and implementing corrective action, up to and including default, for participants that continually violated HOME requirements and submitted false certifications.

HOME Projects Did Not Always Comply With HOME Requirements

Some of Idaho Housing's HOME projects had significant physical condition deficiencies and affordable housing violations. Idaho Housing's regulatory agreement requires projects to continue to comply with HOME property standards and affordable housing requirements during the period of affordability; otherwise, the project will be placed into default and owners will be required to repay the HOME loan.

We performed onsite unit inspections on seven projects and reviewed eight Idaho Housing project file reviews to determine whether the projects complied with HOME requirements. We found that

- Five projects (Choice, Moscow Transitional, Willswood, Elk Creek, and Teton View) had significant property or housing quality standards violations or both and
- Three projects (Choice, CORE Lodge, and Moscow Transitional) had systemic tenant eligibility violations.

Rental Projects Were Noncompliant With Property and Housing Quality Standards

The Choice single-family rental houses did not meet property standards and housing quality standards. We inspected 12 of the 16 Choice single-family houses and noted property or housing quality standards violations in each unit reviewed as shown below.



The electrical system was not updated. There were fuses rather than circuit breakers in at least two houses.



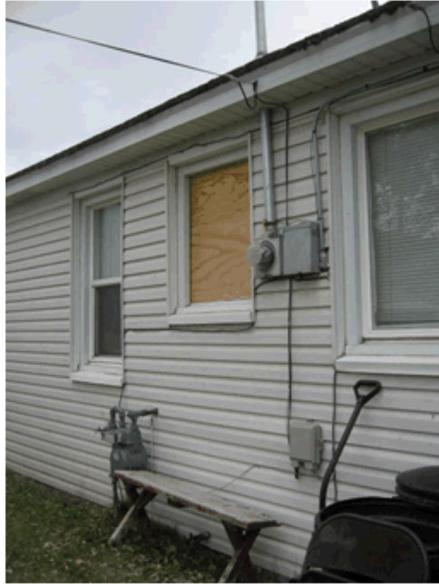
Electrical outlets were not always updated. There were no ground wires or ground fault circuit interrupters in several houses.



A hole was cut larger than the electrical box, leaving exposed electrical wires.



The paint was peeling, and the vinyl was torn in this bathroom. According to a worksheet provided by the compliance department, some of these houses had lead-based paint.



The window was removed, but the siding was not repaired.



A hard-wired smoke detector was missing, leaving exposed electrical wires.



The ceiling tiles showed significant water damage but had not been replaced.



The heating vent was extremely rusted but had not been replaced.

Moscow Transitional also did not meet property or housing quality standards. This project was purchased in 1999, and the rehabilitation was said to have been substantially completed in 2000, but the units needed new gutters and crawl space repairs in 2004. We inspected all eight of the HOME units and noted many property and housing quality standards violations.



The attic access cover was broken in several of the units, leaving the insulation exposed.



There were missing light fixtures in several of the units. In addition, some of the bathroom fans did not work.



One unit had a bedroom that was full of combustibles and clutter. There were no fire extinguishers on the premises.



The vinyl was peeling, and the floor was filthy.



There was only one wall heater in each of the units, and the thermostat could not be set higher than 68 degrees.

Willswood also did not comply with property standards. We inspected the exterior of the complex and one HOME unit in which the kitchen had been recently remodeled.



The electrical system had not been updated. There was no ground fault interrupter in the kitchen or the bathroom.



The siding was not properly prepared before being painted, which caused it to continue to deteriorate.



The siding had large holes in it.



There was no caulk between gaps in the trim, and the paint was peeling.



Some of the trim was coming off due to the deteriorated siding.



Repairs were made, but the seams were not caulked, and the painting was not completed.

Elk Creek apartments, a new construction project, also did not meet property standards. We inspected all five HOME units. Although we did not find exceptions in the units inspected, we found exterior deficiencies.

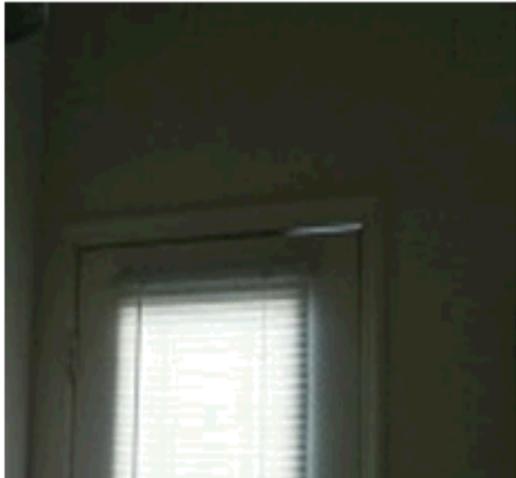


A deck post was severely twisted.



Another deck post was cracked where the railing was attached.

Teton View apartments, a new construction project, also did not meet property standards during the period of affordability. We inspected all eight HOME units and noted the following:



The door was not properly installed and let cold air in. The property manager stated that this was a problem in several of the units.



Commercial tile floors were cracking in most of the units inspected. The property manager stated that when some of the tiles were replaced, dirt was found under them.

Idaho Housing expended a total of almost \$2.2 million in HOME funds on these five substandard projects as follows:

IDIS no.	HOME project	HOME funds expended
12/856	Choice single-family houses	\$ 434,528
763	Moscow transitional housing	326,550
145	Willswood apartments	575,048
1391	Elk Creek apartments	360,000
1389	Teton View apartments	475,000
	Total	\$2,171,126

Tenants Were Not Always Determined To Be Eligible at Move-In

HOME regulations at 24 CFR 92.216 state the income targeting requirements for rental units and specify that tenant eligibility must be determined at move-in or when HOME funds are invested, whichever is later. In addition, HOME regulations at 24 CFR 92.203 state that participating jurisdictions must determine each family is income eligible by determining the family's annual income (see appendix D). Of the eight Idaho Housing project file reviews reviewed, three projects (CORE Lodge, Moscow Transitional, and Choice) had significant tenant eligibility violations that had existed for more than 2 years. During its compliance reviews, Idaho Housing also determined that more than one-third of the HOME projects it reviewed in 2010 did not adequately document that all tenants were eligible.

- CORE Lodge routinely admitted homeless, mentally disabled individuals for 60 days or more before it attempted to determine tenant eligibility. According to its management, it wanted to ensure that the tenant could follow the Lodge's rules before it would go through the tenant eligibility process. However, HOME regulations require that tenant eligibility be determined at move-in. Idaho Housing expended \$102,204 on this noncompliant project.
- During its 2011 compliance review of Moscow Transitional, Idaho Housing noted that six of the eight HOME units' tenant files did not contain sufficient documentation to determine tenant eligibility. The other two units did not have a HOME file. Idaho Housing expended \$326,550 on this noncompliant project.
- All four of Choice's tenant files that Idaho Housing compliance staff reviewed in 2009 and 2011 had violations including insufficient income documentation, incomplete tenant income certifications, and income calculation errors. Idaho Housing expended \$434,528 on this noncompliant project.

Conclusion

Idaho Housing did not adequately monitor the compliance of its HOME projects. It did not adequately perform and document its onsite physical condition inspections, adequately verify occupancy reports and certifications submitted by owners, provide accurate information and guidance to the projects, conduct onsite monitoring when required, and take appropriate actions to resolve project deficiencies. This condition occurred because Idaho Housing did not have adequate procedures for monitoring HOME compliance and did not have an adequate process for determining and implementing corrective action against participants that continually violated HOME requirements.

As a result, some of its projects had significant physical condition deficiencies, and Idaho Housing spent almost \$2.2 million in HOME funds on five substandard properties. In addition, some projects had affordable housing violations such as inadequate, inaccurate, or missing tenant documentation; tenant income discrepancies; and inaccurate identification of HOME units. Idaho Housing needs to develop policies and procedures for the enforcement of compliance with HOME requirements and its loan and regulatory agreements. It also needs to place into default all projects that are in substandard condition or otherwise noncompliant and allow the owners to cure the default by bringing the projects into compliance or reimburse its HOME trust fund from non-Federal funds.

Recommendations

We recommend that the Director of the HUD Portland Office of Community Planning and Development require Idaho Housing to

- 2A. Take timely action to bring all projects found to be in substandard condition into compliance with HOME requirements or reimburse its HOME trust fund with non-Federal funds up to \$2,171,126 for any properties that remain substandard.
- 2B. Take timely action to establish project compliance with HOME requirements on income determinations or reimburse its HOME trust fund with non-Federal funds up to \$863,282 for the amount of HOME funds spent on these projects.¹
- 2C. Develop adequate policies and procedures for monitoring its HOME projects.

¹ This amount includes \$761,078 from recommendation 2A for Moscow Transitional and Choice, which were also substandard projects.

SCOPE AND METHODOLOGY

Our audit covered the period April 2008 through February 2011. We expanded the period for the match portion of the audit due to unresolved match findings from the 2004 and 2007 monitoring reports issued by HUD's Portland Office of Community Planning and Development. We also incorporated the 2011 compliance report for our compliance finding analysis to provide the most current information available. We performed our audit work on site at Idaho Housing, 565 West Myrtle, Boise, ID, and at various project sites throughout the State from April 2011 through January 2012.

To achieve our objective, we reviewed HUD and Idaho Housing criteria and contracts and met with HUD and Idaho Housing staff. We obtained and reviewed project files for pertinent documentation, such as match documentation, loan and regulatory agreements, compliance reports, and supporting documents from HOME project monitoring reviews performed by Idaho Housing's compliance staff. We also made site visits to seven of the eight compliance monitoring projects reviewed.

We initially reviewed a statistically sampled selection of vouchers to determine whether Idaho Housing obtained sufficient documentation to support the eligibility of costs. Based on the voucher review, we determined that a review by project would best meet our objectives.

For match, we obtained the match reported in Idaho Housing's consolidated annual performance and evaluation report. During the 5-year period from April 1, 2005, through March 31, 2010, Idaho Housing reported a match liability of almost \$5.8 million and match contributed of about \$13.2 million. Of the \$13.2 million, \$4 million in nonbond match was reported for 28 multifamily and single-family projects and other miscellaneous single-family projects. We reconciled match reports to supporting documentation and verified their accuracy. We requested match support for the 11 projects that were statistically selected for cost eligibility from our first audit. Of these, Idaho Housing provided support for seven projects that had reported match and two projects for which it had not previously reported match. One project did not have any reported match, and Idaho Housing did not provide match support for the final project requested. Based on these results, we requested match support for the remaining multifamily and single-family projects and miscellaneous other single-family projects with match reported. We also reviewed match support for four projects that were not originally reported. Idaho Housing decided to withdraw the remaining reported match and resubmit the 2006-2010 match reports. We computed the HOME funds expended for ineligible and unsupported match by dividing the match amounts questioned by the match percentage of 0.25.

For compliance, we went on site to the two projects we initially identified as having not been monitored for compliance in a timely manner. We also went on site to 5 of the 27 projects in central and southeastern Idaho that had compliance findings during July and August 2011. We selected each to ensure that we would review those that had different property management firms. While on site, we interviewed property managers, reviewed tenant files, and inspected HOME units. The purpose of our visits was to determine whether there were tenant file violations or obvious property, housing quality standards, or Idaho Housing rehabilitation standards violations. We did not conduct a full inspection of the projects. Therefore, other violations may exist.

We did not rely on automated data other than to select our samples, and we reviewed hardcopy documents for our analysis.

We briefed Idaho Housing and HUD's Portland office management throughout the audit.

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 objectives. 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:

- Policies and procedures for ensuring reliability of financial reporting.
- Policies and procedures for determining compliance with applicable 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.

Significant Deficiencies

Based on our review, we believe that the following items are significant deficiencies:

- Idaho Housing did not have adequate controls in place to ensure that HOME match funds reported complied with regulations and requirements (finding 1).
- Idaho Housing did not have adequate controls in place to ensure that HOME projects were adequately monitored and inspected (finding 2).

OTHER MATTERS

In our previous Idaho Housing audit, report number 2011-SE-1008, dated September 23, 2011, we reported that Idaho Housing did not determine whether acquisition and rehabilitation projects met HOME minimum building code requirements at application acceptance and at project completion. It did not inspect these projects for compliance with the minimum code requirements as established in its rehabilitation standards.

Three Additional Projects

During this second audit, we identified three additional acquisition and rehabilitation projects that were not inspected for compliance with minimum code requirements and violated property standards and Idaho Housing rehabilitation standards. These were Choice single-family rental houses, Moscow Transitional, and CORE Lodge.

Choice Single-Family Rental Houses

Choice houses did not all have electrical systems that complied with Idaho Housing's rehabilitation standards. These standards required that all existing dwelling units have electrical service at a minimum of 100 ampere, three-wire capacities. In addition, the standards required ground fault circuit interrupter receptacles or protection for all exterior, bath, and kitchen sink receptacles. During our site visit, we noted that many of the houses did not have three-wire electrical systems and electrical outlets with ground fault circuit interrupter receptacles or protection where required. See pages 16-17.

Moscow Transitional

Moscow Transitional's heating system did not meet Idaho Housing's rehabilitation standards. It had one wall heater in each apartment. In accordance with the lease, the thermostat could not exceed 68 degrees, and tenants were not allowed to put space heaters into the bathroom or bedrooms.

However, according to Idaho Housing's rehabilitation standards, "Every dwelling shall have an effective heating system which is properly installed and capable of safely and adequately heating all habitable rooms in each dwelling unit to a temperature of at least 70 degrees Fahrenheit." See pages 18-19.

Willswood

Willswood also did not comply with Idaho Housing's rehabilitation standards. The unit we visited had updated kitchen cabinets. However, there were no ground

fault circuit interrupter receptacles in the kitchen or bathroom as required by the rehabilitation standards. In addition, the exterior painting that was done during the rehabilitation did not appear to have been performed in compliance with Idaho Housing’s rehabilitation standards. The standards required that all painted exterior surfaces be in good repair and all defective paint surfaces be properly prepared and painted. The siding either needed replacing when the rehabilitation was done or had not been properly prepared. See pages 19-20.

Projects Acquired and Rehabilitated or Rehabilitated Only

According to information in HUD’s Integrated Disbursement and Information System, the following projects were also acquired and rehabilitated or only rehabilitated using HOME funds.

IDIS number	Project name	HOME funds drawn
8	El Milagro	\$904,638
12	Choice-Rental Acquisition ¹	351,999
14	Sunnyridge	160,307
16	Cesar Chavez	794,300
23	Farmway Village III	518,634
43	Farmway Village IV	947,000
129	Fountain Court 2	37,500
130	Station 1938	287,999
140	Eagle Block Bldg	134,126
144	Kamps Apartments	594,000
145	Willswood ¹	575,048
648	Val-Vista Community Housing	514,000
674	Transitional Housing For Region III	228,542
696	Pocatello Transitional Housing	323,269
763	Moscow Transitional Housing ¹	326,550
856	Choice-Developmentally Disabled ¹	82,529
1057	Glenns Landing Apartments	209,998
1185	SCCAA Transitional Housing	187,670
1480	Star Motel	268,824
1686	Sisters Villa	800,000
3035	Old CORE Lodge-Poplar	69,480
3914	4th Street Project	662,563
	Total amount drawn	\$8,978,975

¹ Recommendation 2A in this report includes more than \$1.3 million in HOME funds spent on Choice, Moscow Transitional, and Willswood.

APPENDIXES

Appendix A

SCHEDULE OF QUESTIONED COSTS

Recommendation number	Ineligible 1/	Unsupported 2/
1A.	\$ 1,843,896	
1B.		\$14,152,324
1C.	\$2,556,832	
2A.		2,171,126
2B.		102,204 ²
	\$4,400,728	\$16,425,654

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations. We computed the HOME funds expended for ineligible match by dividing the match amounts questioned by the match percentage of 0.25.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures. We computed the HOME funds expended for unsupported match by dividing the match amounts questioned by the match percentage of 0.25.

² This amount does not include the \$761,078 from recommendation 2A for Moscow Transitional and Choice, which were also substandard projects. To close the recommendations, these projects must be considered under both recommendations 2A and 2B.

Appendix B

AUDITEE COMMENTS AND OIG'S EVALUATION

Ref to OIG Evaluation

Auditee Comments



Idaho Housing and Finance
ASSOCIATION

Your Key to Housing Opportunities

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November 30, 2012

Ronald J. Hosking, Regional Inspector General for Audit
U.S. Department of Housing and Urban Development
Office of the Inspector General
Region X Office of Audit
909 First Avenue Suite 126
Seattle, WA 98104-1000

Dear Mr. Hosking,

Thank you for the opportunity to respond to the draft OIG audit report transmitted and discussed at the exit conference on November 8, 2012. We appreciate the positive working relationship with the OIG auditors who worked with our staff in this effort, and have stated in the letter our concurrence with many of the findings, as well as our perspective on certain of the recommendations with which we take issue. We appreciate your consideration of the following remarks.

General comments with regard to OIG Highlights: What We Recommend and What We Found

"We recommend that HUD require Idaho Housing to provide eligible matching contributions, support, or both for more than \$4.6 million in ineligible and unsupported matching contributions or repay HOME grant funds received of up to \$18.5 million for any matching contributions it cannot support and separately track its affordable housing bond matching contributions carried forward."

IHFA disagrees with the accuracy of the amount of potentially ineligible matching contributions stated as \$4.6 million. IHFA does concur with the remaining unmet match liability of \$2,926,264 as amended and emailed to IHFA 11.26.2 from OIG . We understand this corrected and currently undocumented liability will be included in the final report.

"We also recommend that Idaho Housing bring its properties up to HUD standards or reimburse its HOME trust fund from non-Federal funds up to \$2.2 million for any properties that remain substandard."

IHFA concurs with OIG's observation that internal procedures had weaknesses related to checks and balances of compliance division activities. Modifications have been implemented and IHFA will work with HUD to document procedural corrections and insure that ongoing compliance activities meet acceptable standards.

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Comment 1



Finding 1: Idaho Housing Did Not Always Comply With HOME Requirements for Providing Match Funds

IHFA concurs that we did not adequately document and track match contribution, reconcile match liability amounts, or require supervisors to review match reports and support, as identified in Finding 1.

IHFA now recognizes that the process to calculate and contribute match was misunderstood, resulting in an overstatement of match liability and captured match reported in the CAPRs. HOME Final Rule 24 CFR Part 92.221 (b) identifies proceeds from bonds as cash, without any discussion of bond limitation in relation to match liability or obligation. IHFA now understands and concurs with the general OIG statement that errors were made in assessment of eligible non-bond match and appropriate documentation due in large part to this misunderstanding. IHFA also acknowledges the allocation of bond match in excess of the 25% maximum during the time period audited based on clarification subsequent to Final HOME Rule 24 CFR Part 92.221 (b).

Eligible match information was in fact collected, and IHFA is in the process of accumulating copies of adequate documentation to clear this finding completely and restate IHFA's correct match liability through corrected CAPR match submittals.

Finding 2: Idaho Housing Did Not Adequately Monitor the Compliance of its HOME Projects

Idaho Housing Did Not Adequately Monitor Compliance

IHFA concurs that inconsistent oversight was provided to insure comprehensive compliance with HOME requirements. Improved compliance oversight procedures are in the draft phase and IHFA HOME staff will insure quality control and internal review to verify adherence to HOME regulations.

Idaho Housing's Onsite Monitoring Was Not Always Adequate

IHFA concurs that inconsistent application of HOME requirements occurred in compliance oversight activities. Although there were an unacceptable number of compliance activities that did not meet HOME requirements, a significant portion of the portfolio was accurately assessed or exceeded the HOME requirements (e.g. application of UPCS vs HQS protocol for review).

Comment 2

Comment 3



Idaho Housing Did Not Verify Information

IHFA concurs that documentation was not available to support onsite verification. In many instances during the audit period staff verified information but were remiss in documenting same in the files.

IHFA recognizes that there are instances that documentation received from owners did not identically match requirements as outlined in the loan and regulatory agreements.

Idaho Housing Provided Inaccurate Information

IHFA acknowledges a staff error in calculating allowable rent and providing CORE Lodge with inaccurate information.

Idaho Housing Did Not Always Monitor Compliance When Required

IHFA agrees with OIG statement in two of the three projects identified. Documentation indicating timely compliance review of the Star Motel project was present in files and will be provided.

Idaho Housing Did Not Always Take Appropriate Actions

IHFA concurs with the majority of the statements and recognizes the need to improve oversight. IHFA disagrees with OIG contention that "appropriate" action was not taken. Although there is one set of regulations, IHFA contends it is within the purview of the PJ to define appropriate action for project compliance management. A large sparsely populated state such as Idaho requires flexibility in identifying reasonable, prudent and appropriate courses of action.

Comment 4

Home Projects Did Not Always Comply With HOME Requirements

IHFA concurs with the OIG statement but disagrees with the implication that little or nothing is being done to bring the projects into compliance. Three of the five projects detailed are Transitional or Special Needs housing, and all are rural complexes. Residents are typically 30% AMI and the non-profit project owners possess little if any net assets. Defaulting properties such as these might likely lead to bankruptcy and loss of the only affordable housing units serving these populations in an entire county or region. Reasonable and prudent workout plans are the only practical solution to retaining affordable housing in such rural areas. IHFA will work closely with HUD to determine the most successful method of enforcing compliance corrections in these situations.

Comment 5

Note: IHFA contacted the City of Idaho Falls code enforcement department and requested an assessment of the structure detailed in the OIG pictures of the Elk Creek

Comment 6



Comment 7

 **Idaho Housing and Finance Association**
www.ihfa.org

apartments. IHFA received written confirmation from the City that items detailed do not constitute a code violation.

Tenants Were Not Always Determined To Be Eligible at Move-In

IHFA acknowledges that on-site staff of HOME projects made errors in following move-in eligibility HOME requirements. IHFA provides training to providers at projects with HOME funds invested, and conscientiously works with owners and managers to correct ineligible residency.

Conclusion

IHFA concurs that there were deficiencies in the oversight of the Compliance department that resulted in HOME requirements not always being sufficiently enforced and IHFA agrees with the OIG that the number of violations is unacceptable. IHFA is addressing items of non compliance detailed in this report and is strengthening the oversight and internal review for all compliance activities.

Recommendations

As per the recent exit conference with OIG, HUD and IHFA, HUD indicated they would propose alternative language to the OIG for the three recommendations (2A,B,C). IHFA withholds comment related to this issue until such time as a re-write of this portion of the document is received.

Respectfully,


Julie H. Williams
Executive Vice President

Cc: Gerald Hunter, President and Executive Director
James Gruber, Grant Programs Manager
Douglas Carlson, Director, Portland Office of CPD

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OIG Evaluation of Auditee Comments

- Comment 1** The \$4.6 million in matching contributions in recommendations 1A through 1C was the amount Idaho Housing reported in its consolidated annual performance and evaluation report and that we determined was ineligible and unsupported. Idaho Housing could have used this amount improperly if we had not conducted the audit, and would have carried the excess ineligible and unsupported match forward to the 2011 report. The amount in Appendix C is the actual amount that is required to meet the 2008 through 2010 liability and resolve the recommendations, considering the audit findings and match not reported, but eligible.
- Comment 2** Although we cannot address the condition of the projects we did not visit, of the 7 projects we visited, 5 did not comply with HOME housing quality standards. In addition, the compliance staff was unable to substantiate its use of Uniform Property Condition Standards (UPCS).
- Comment 3** Idaho Housing provided us with the compliance reports for Star Motel. From those reports, we determined the project was timely reviewed. Therefore, we have removed this project from the report. However, Idaho Housing did not include Star Motel in its compliance report for 2008. In 2010, it included Star Motel; however, the date last inspected was left blank.
- Comment 4** While it is within Idaho Housing's purview to define appropriate action for project compliance management, the compliance staff did not follow their own procedures.
- Comment 5** The compliance files we reviewed did not include any workout plans. However, we changed the recommendations to ensure that Idaho Housing takes timely action to bring substandard projects into compliance. If the projects are not brought into compliance, we recommend that Idaho Housing be required to repay the HOME funds for these projects.
- Comment 6** The e-mail that the Idaho Falls building inspector sent to Idaho Housing did not state whether or not conditions noted were code, property standards, or housing quality standards violations. However, the inspector did say, "the twisting may have affected the nail connection, they may want to add some kind of Simpson connector or nail a block to the side of the beam and post." In addition, according to housing quality standards in 24 CFR 401(g) "The dwelling unit must be structurally sound. The structure must not present any threat to the health and safety of the occupants" If the nail connection was affected, the post could be structurally unsound.
- Comment 7** We agreed to and made changes to recommendations 2A and 2B. Those changes have been incorporated into this report. We did not agree to any changes to recommendation 2C.

Appendix C

SCHEDULE OF REPORTED INELIGIBLE AND UNSUPPORTED MATCH

IDIS No.	Project name	2006 CAPER*	2007 CAPER	2008 CAPER	2009 CAPER	2010 CAPER	Reported ineligible	Reported unsupported
813	Avalon Park	\$180,000						\$180,000
5184	Cardona Senior ¹				\$46,791			46,791
4720	Castlerock	206,005	\$336,254					542,259
5153	Clover Creek I ²				13,996			13,996
5154	Clover Creek II ²				7,568			7,568
5155	Clover Creek III ²				4,049			4,049
3914	Club-4th St.	165,641						165,641
3310	Creekside LP ³	69,159					\$ 23,468	
4312	Creekside Senior ⁴		103,137				69,578	33,559
4301	Devon Senior	157,500						157,500
4766	EICAP Lakeview ⁵				89,965	\$293,400		383,365
4940	EICAP Market Lake ⁵				95,688			95,688
5158	Freedom Village			80,576				80,576
4175	Habitat for Humanity	53,158						53,158
4704	Heritage Place III	41,529	50,000					91,529
3423	Independence Hill	72,500						72,500
5159	Leisure Village II			196,350				196,350
5160	Leisure Village VIII				74,175			74,175
5161	Leisure Village X			64,652				64,652
5935	Neider House ⁶					364,928	364,928	
5058	Rose Park Place ⁷		243,000				3,000	240,000
3307	Sagewood	105,250						105,250
4090	SEICAA Manor		135,500					135,500
5662	SEICCA Homebuyer				19,976	21,975		41,951
5939	SEICCA Homebuyer					805		805
4832	The Cottage		2,000					2,000
4793	Tullamore Senior		110,000	170,980				280,980
5462	PHNS Infill			225,000	15,177			240,177
Misc	Single-family other	59,170	168,892					228,062
	Total nonbond	\$1,109,912	\$1,148,783	\$737,558	\$367,385	\$681,108		
	Unsupported nonbond	\$1,109,912	\$1,145,783	\$737,558	\$367,385	\$316,180		\$3,538,081
	Ineligible nonbond	\$23,468	\$72,578			\$364,928	\$460,974	

* CAPER = consolidated annual performance and evaluation report

Audit Results for Reported Match by Project for

- (1) Cardona (5184): Idaho Housing reported site preparation and donated materials and labor match of \$46,701 for the Cardona apartments. It provided support for \$133,750 in donated materials and professional services match. However, this amount appears to have been billed to and paid by the project and is not the amount that was reported.
- (2) Clover Creek I (5153), II (5154) and III (5155): Idaho Housing reported appraised land and real estate property match totaling \$25,613 for the three Clover Creek apartments. The amount reported was based on 10 percent of the match amount that was required for the three projects without additional support. However, Idaho Housing provided letters addressed to the buyer from the seller for two of the three Clover Creek projects, stating that the buyer was willing to sell the projects for considerably less than the appraised value to make the "...preservation of this low-income apartment complex feasible." This match would have been eligible, but it was a different amount than the amount reported, and the appraisals were dated more than a year before the purchase date. We were not provided any other documentation to support the reported match.
- (3) Creekside LP (3310): Idaho Housing reported an inaccurately valued affordable housing program match of \$69,159 for Creekside LP apartments. According to the support provided by Idaho Housing, the bond match should have been valued at \$45,691. Therefore, \$23,468 was ineligible.
- (4) Creekside Senior (4312): See page 6 of the report.
- (5) EICAP Lakeview (4766) and Market Lake (4940): Idaho Housing reported an inaccurately valued supportive services match of \$383,365 for Lakeview apartments and \$95,688 for Market Lake apartments. Idaho Housing based the reported match on estimated supportive services for the projects. However, according to Notice 97-03, supportive services match must be supported by the actual costs of services provided to the residents of these projects. Also, there was no identification of the source of the supportive services in violation of 24 CFR 92.220(b) (see appendix D). If the services were funded by another Federal source or donated by the recipients of the HOME assistance, it would not be eligible.
- (6) Neider House (5935): See pages 5-6 of the report.
- (7) Rose Park Place (5158): See page 6 of the report.

The amount of eligible matching contributions needed for each year to satisfy our audit recommendations with \$359,912 carried forward to 2011 is shown in the table below.

Idaho Housing program year	Corrected liability	Corrected non-bond liability	Eligible match reported	Match not reported but eligible	Match needed to satisfy liability
2006	\$ 632,976	\$ 474,732			\$ 474,732
2007	858,975	644,231	\$45,691		598,540
2008	2,111,469	1,583,602		\$ 339,498	1,244,104
2009	1,038,385	778,788		169,900	608,808
2010	333,318	249,988		609,900	0
Total	\$4,975,123	\$3,731,341	\$45,691	\$1,119,298	\$2,926,264

Our review of the match not reported is included below.

Fruitland (5574): Idaho Housing provided adequate supporting documentation for \$169,900 for land donation match. The match was credited on April 21, 2009 (program year 2009).

Neider House (5935): Idaho Housing provided adequate documentation for \$609,900 for land donation match. The match was credited on May 5, 2010 (program year 2010).

Ponderosa (5677): Idaho Housing provided adequate documentation for \$339,498 in below market interest rate loan match. The match was credited on January 7, 2009 (program year 2008).

Rosslare (5185): Idaho Housing provided documentation for \$225,000 in donated construction material and professional services match that it planned to submit in a revised match report. However, this match was not supported because there was a draw request for the match without verification that the match was not paid. If Idaho Housing provides documentation that the amount was donated, it would be eligible match.

Appendix D

CRITERIA

24 CFR 92.203(a) states, “The HOME program has income targeting requirements for the HOME program and for HOME projects. Therefore, the participating jurisdiction must determine each family is income eligible by determining the family’s annual income.”

24 CFR 92.216 states, “Each participating jurisdiction must invest HOME funds made available during a fiscal year so that, with respect to...rental units:

- a. Not less than 90 percent of:
 1. The families receiving such rental assistance are families whose annual incomes do not exceed 60 percent of the median family income for the area, as determined and made available by HUD with adjustments for smaller and larger families...at the time of occupancy or at the time funds are invested, whichever is later; or
 2. The dwelling units assisted with such funds are occupied by families having such incomes;
- b. The remainder of:
 1. The families receiving such rental assistance are households that qualify as low-income families...at the time of occupancy or at the time funds are invested, whichever is later; or
 2. The dwelling units assisted with such funds are occupied by such households.”

24 CFR 92.218(a) states, “Each participating jurisdiction must make contributions to housing that qualifies as affordable housing under the HOME program, throughout a fiscal year. The contributions must total not less than 25 percent of the funds drawn from the jurisdiction’s HOME Investment Trust Fund Treasury account in that fiscal year, excluding funds drawn for purposes identified in paragraph (c) of this section.”

24 CFR 92.220(a)(5)(iii) states, “Loans made from bond proceeds may not constitute more than 25 percent of a participating jurisdiction’s total annual match contribution.”

24 CFR 92.220(b) states, “*Ineligible forms.* The following are examples that do not meet the requirements of paragraph (a) of this section and do not count toward meeting a participating jurisdiction’s matching contribution requirement:

1. Contributions made with or derived from Federal resources or funds, regardless of when the Federal resources or funds were received or expended. CDBG funds (defined in 24 CFR 570.3) are Federal funds for this purpose; ...
3. Owner equity or investment in a project; and
4. Cash or other forms of contributions from applicants for or recipients of HOME assistance or contracts, or investors who own, are working on, or are proposing to apply for, assistance for a HOME-assisted project.”

24 CFR 92.251(a) states, “Housing that is constructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the

time of project completion...The participating jurisdiction must have written standards for rehabilitation that ensure that HOME-assisted housing is decent, safe, and sanitary...”

24 CFR 92.251 (c) states, “An owner of rental housing assisted with HOME funds must maintain the housing in compliance with all applicable State and local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the housing quality standards in 24 CFR 982.401.”

24 CFR 92.252(c) states, “The participating jurisdiction must establish maximum monthly allowances for utilities and services (excluding telephone)...For all units subject to the maximum rent limitations in paragraphs (a) or (b) of this section for which the tenant is paying utilities and services, the participating jurisdiction must ensure that the rents do not exceed the maximum rent minus the monthly allowances for utilities and services.”

24 CFR 92.504(a) states, “The participating jurisdiction is responsible for managing the day to day operations of its HOME program, ensuring that HOME funds are used in accordance with all program requirements and written agreements, and taking appropriate action when performance problems arise.”

24 CFR 92.504(d)(1) states, “HOME assisted rental housing. During the period of affordability, the participating jurisdiction must perform on-site inspections of HOME-assisted rental housing to determine compliance with the property standards of § 92.251 [*Property Standards*] and to verify the information submitted by the owners in accordance with the requirements of § 92.252 [*Qualification as Affordable Housing: Rental Housing*] no less than: every three years for projects containing 1 to 4 units; every two years for projects containing 5 to 25 units; and every year for projects containing 26 or more units. Inspections must be based on a sufficient sample of units.”

24 CFR 92.508(a)(2)(ix) states, “Participating jurisdictions... must maintain records demonstrating compliance with the matching requirements of § 92.218 through § 92.222 including a running log and project records documenting the type and amount of match contributions by project.”

24 CFR 982.401, Section 8 Tenant-Based Assistance Housing Quality Standards, includes

“(d) *Space and security* —

(1) *Performance requirement.* The dwelling unit must provide adequate space and security for the family.

(2) *Acceptability criteria.*

(i) At a minimum, the dwelling unit must have a living room, a kitchen area, and a bathroom.

(ii) The dwelling unit must have at least one bedroom or living/sleeping room for each two persons. Children of opposite sex, other than very young children, may not be required to occupy the same bedroom or living/sleeping room.

(iii) Dwelling unit windows that are accessible from the outside, such as basement, first floor, and fire escape windows, must be lockable (such as window units with sash pins or sash locks, and combination windows with latches). Windows that are

nailed shut are acceptable only if these windows are not needed for ventilation or as an alternate exit in case of fire.

(iv) The exterior doors of the dwelling unit must be lockable. Exterior doors are doors by which someone can enter or exit the dwelling unit.

(g) *Structure and materials* —

(1) *Performance requirement.* The dwelling unit must be structurally sound. The structure must not present any threat to the health and safety of the occupants and must protect the occupants from the environment.

(2) *Acceptability criteria.*

(i) Ceilings, walls, and floors must not have any serious defects such as severe bulging or leaning, large holes, loose surface materials, severe buckling, missing parts, or other serious damage.

(ii) The roof must be structurally sound and weathertight.

(iii) The exterior wall structure and surface must not have any serious defects such as serious leaning, buckling, sagging, large holes, or defects that may result in air infiltration or vermin infestation.

(iv) The condition and equipment of interior and exterior stairs, halls, porches, walkways, etc., must not present a danger of tripping and falling. For example, broken or missing steps or loose boards are unacceptable.

(v) Elevators must be working and safe...

(j) *Lead-based paint performance requirement.* The Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821–4846), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 U.S.C. 4851–4856), and implementing regulations at part 35, subparts A, B, M, and R of this title apply to units assisted under this part.

(l) *Site and Neighborhood* —

(1) *Performance requirement.* The site and neighborhood must be reasonably free from disturbing noises and reverberations and other dangers to the health, safety, and general welfare of the occupants.

(2) *Acceptability criteria.* The site and neighborhood may not be subject to serious adverse environmental conditions, natural or man made, such as dangerous walks or steps; instability; flooding, poor drainage, septic tank back-ups or sewage hazards; mudslides; abnormal air pollution, smoke or dust; excessive noise, vibration or vehicular traffic; excessive accumulations of trash; vermin or rodent infestation; or fire hazards.”

Community Planning and Development Notice 97-03 V. E. states, “...Total match credit from loans made from affordable housing bond proceeds may not constitute more than 25% of a PJ’s [participating jurisdiction] total annual contribution toward its match obligation. Match credit from loans made in excess of 25% of a PJ’s total annual match obligation may be carried over to subsequent fiscal years and applied to the following year’s 25% annual contribution.”

Notice 97-03 V. J., Supportive Services, states, “The PJ may only count the cost of supportive services provided to families residing in HOME-assisted units or receiving HOME tenant-based rental assistance as match...The direct costs that may be counted as match are limited to salary costs (including benefits) directly attributable to the provision of the supportive services to residents of HOME units and the cost of materials directly related to the provision of these services (e.g., food, medical supplies). The actual cost of providing these services must be supported by invoices, time cards or similar documents. For match purposes, the provider’s

overhead costs (e.g., rent, office equipment and supplies, etc.) are not considered direct costs of the supportive service.”