

EXECUTIVE DIGEST

MULTIFAMILY PROGRAMS

INTRODUCTION

This report contains the results of our performance audit* of Multifamily Programs of the Michigan State Housing Development Authority (MSHDA), Department of Consumer and Industry Services.

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.

BACKGROUND

MSHDA's mission* is to expand the availability and supply of decent, affordable, and accessible rental housing for people with low and extremely low incomes.

MSHDA administers the federal Low Income Housing Tax Credit (LIHTC) Program in Michigan, which is the primary program for funding multifamily developments. The federal Tax Reform Act of 1986 created the LIHTC Program. MSHDA also administers the federal HOME Program*, which provides nonprofit and for-profit agencies with funding to assist in the development of rental units for low-income households and special needs populations. Using tax-exempt bond proceeds, MSHDA established the Tax-Exempt Apartments for Michigan (TEAM) Program to

finance multifamily developments, primarily for low-income households. MSHDA also developed the Taxable Bond Program. Both the TEAM Program and the Taxable Bond Program are designed to be used in conjunction with the LIHTC Program. In addition, MSHDA performs tenant eligibility audits at the various multifamily developments to ensure compliance with program requirements.

AUDIT OBJECTIVES
AND CONCLUSIONS

Audit Objective: To determine whether MSHDA effectively assisted in the planning, construction, and financing of needed rental housing for low- and moderate-income individuals and individuals with special needs.

Conclusion: We concluded that MSHDA was generally effective in the planning, construction, and financing of rental housing. However, we noted reportable conditions* relating to allocation of tax credits, internal control over allocating tax credits, construction monitoring - architects, construction monitoring - MSHDA staff, compliance with specifications, insurance coverage and licensing, and records of proposed developments (Findings 1 through 7).

Audit Objective: To determine whether MSHDA safeguarded its financial interest in housing developments by monitoring the finances and physical maintenance of the developments.

Conclusion: We concluded that MSHDA effectively monitored the finances and physical maintenance of the developments.

Audit Objective: To assess the effectiveness of MSHDA's monitoring of tenant eligibility for rent subsidies at multifamily developments.

Conclusion: We concluded that MSHDA's monitoring of tenant eligibility for rent subsidies was effective.

Audit Objective: To assess the effectiveness of MSHDA's monitoring of tenant income, age, and other requirements for the type of financing received to construct the multifamily developments.

Conclusion: We concluded that MSHDA's monitoring of tenant requirements for financing was generally effective. However, we noted reportable conditions related to comprehensive policies and procedures for tenant eligibility audits and selection of developments for tenant eligibility audits (Findings 8 and 9).

**AUDIT SCOPE AND
METHODOLOGY**

Our audit scope was to examine the program and other records of the multifamily programs of the Michigan State Housing Development Authority. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our audit methodology included examination of MSHDA's process for reviewing and approving proposals from developers, its monitoring of construction for financed developments, its monitoring of development finances and physical maintenance, its monitoring of tenant eligibility, and its monitoring of compliance with tenant requirements for the period October 1996 through October 1999.

AGENCY RESPONSES

Our audit report includes 9 findings and 9 corresponding recommendations. MSHDA's preliminary response indicated that it generally agreed with our recommendations and has taken steps to implement most of them.