



# OAG

Office of the Auditor General

## Report Summary

### *Performance Audit*

**Report Number:**  
**186-0205-20**

### *Homeownership Programs*

### *Michigan State Housing Development Authority (MSHDA)*

**Released:**  
**May 2021**

### *Department of Labor and Economic Opportunity*

The basic objective of MSHDA's Homeownership Programs is to provide safe, affordable, and successful homeownership opportunities to eligible low- and moderate-income residents. MSHDA offers fixed-rate mortgage loans for the purchase of a new or existing home. MSHDA also provides assistance to help homeowners avoid foreclosure and assistance with a down payment for the purchase of a home. From July 1, 2017 through December 31, 2019, MSHDA approved 18,031 mortgages totaling \$1.2 billion for low- and moderate-income applicants; provided \$27.6 million of Hardest Hit Fund (HHF) Program assistance to help over 4,000 homeowners avoid foreclosure; and supplied \$25.7 million of HHF Program assistance toward homebuyers' down payments in 61 targeted Michigan zip codes.

Audit Objective			Conclusion
Objective #1: To assess the effectiveness of MSHDA's efforts in providing financing to Michigan residents with low and moderate income for the purchase of single-family homes.			Effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MSHDA's quality control contractor did not report sufficient information for MSHDA to verify that the contractor included all MSHDA serviced loans in its quality control reviews. The contractor also provided 33% of monthly loan origination and 80% of loan servicing reviews we sampled between 1 and 39 days late ( <a href="#">Finding #1</a> ).		X	Agrees

Audit Objective			Conclusion
Objective #2: To assess the effectiveness of MSHDA's efforts in providing assistance to Michigan homeowners under HHF Programs.			Effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MSHDA implemented revised policies in 2016 that diminished its internal control and mitigated its ability to detect potential irregularities within HHF Program applications. In addition, MSHDA could not provide evidence that 10 contracted employees we reviewed, who worked on the Loan Rescue and DPA Programs (HHF Programs), completed conflict of interest forms. Also, MSHDA reported incorrect primary hardship reason data to the U.S. Treasury for 53% of the approved Loan Rescue Program applications that we reviewed ( <u>Finding #2</u> ).		X	Partially agrees
Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MSHDA may be able to enhance its efforts to ensure that it awards program funds to those most in need by limiting the time frame to allow homeowners to apply for assistance after an unexpected hardship and giving more consideration to the homeowners' ability to contribute to the delinquency ( <u>Observation #1</u> ).			Not applicable for observations.

Audit Objective			Conclusion
Objective #3: To assess the effectiveness of MSHDA's security and access controls over selected systems.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
We identified a lack of procedures related to assigning user roles, monitoring of continued appropriateness of user access, and timely disabling of departed employees' user accounts ( <u>Finding #3</u> ).		X	Agrees

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