Audit Report

OIG-15-001

RECOVERY ACT: Audit of Missouri Housing Development Commission's Payment Under 1602 Program

October 2, 2014

Office of Inspector General

Department of the Treasury

Contents

Appendices

Abbreviations

IRC	Internal Revenue Code
MHDC	Missouri Housing Development Commission
OFAS	Office of the Fiscal Assistant Secretary
OIG	Office of Inspector General
QAP	Qualified Allocation Plan

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October 2, 2014

David Lebryk
Fiscal Assistant Secretary

As part of our ongoing oversight of the Department of the Treasury's (Treasury) Payments to States for Low-Income Housing Projects in Lieu of Low-Income Housing Credits for 2009 (1602 Program),[1] authorized by Section 1602 of the American Recovery and Reinvestment Act of 2009 (Recovery Act),[2] we are conducting audits of awards made to selected state housing credit agencies. The objective of these audits is to assess whether the agencies awarded funds under Treasury's 1602 Program complied with the program's requirements contained in the "Grantee Terms and Conditions" (hereinafter terms and conditions). In this report, we provided our assessment of Missouri Housing Development Commission's (MHDC) compliance with the 1602 Program requirements. Appendix 1 provides a more detailed description of our audit objectives, scope, and methodology.

Results in Brief

Overall, we found that MHDC generally complied with Treasury's 1602 Program terms and conditions. That is, MHDC substantially met the applicable requirements for receiving its $75,876,174 1602 Program award as well as requirements for subawarding those funds to 25 eligible low-income housing projects. Treasury's terms and conditions that set forth the eligibility and compliance

[1] Treasury's Office of the Fiscal Assistant Secretary (OFAS) administers this program.
[2] Pub. L. No. 111-5, 123 Stat. 362-364 (Feb. 17, 2009). Under section 1602 of the Recovery Act, Treasury shall make a grant to the housing credit agency of each State in an amount equal to such State's low-income housing grant election amount.

requirements come from Section 42 of the Internal Revenue Code (IRC)[3] and Section 1602 of the Recovery Act.

We did find, however, that MHDC disbursed $28,967 of its 1602 Program funds to a developer whose project cost was later modified. As a result of that modification, MHDC should have applied the excess payment to another qualified project expense or returned the funds to Treasury. However, we found that it had done neither. Subsequent to notifying MHDC of this matter, we learned that management did return the funds to Treasury on July 24, 2014.

We found that MHDC established a process for monitoring the long-term viability of projects and their compliance with 1602 Program requirements. It also met Treasury reporting requirements. With that, we emphasize the need for continued diligence on the part of MHDC to ensure compliance with the terms and conditions of the 1602 Program award over the entire 15-year compliance period.

We provided our report to MHDC for the purpose of incorporating management's views. In a written response, MHDC acknowledged that 1602 Program funds in the amount of $28,967 were disbursed to a development whose project costs were later modified. Due to the modification of project costs, the $28,967 should have been recovered and returned to Treasury. MHDC took steps to recover the overpayment and returned the funds to Treasury on July 24, 2014. MHDC's response is provided in appendix 3.

After incorporating MHDC's response into this report, we provided it to Treasury management for comment. Treasury management concurred with our audit results; its response is provided in appendix 4.

[3] 26 U.S.C.§42 "Low-Income Housing Credit," (http://www.treasury.gov/initiatives/Documents/LIH_application-package.pdf)

Background

The low-income housing tax credit program codified in Section 42 of the IRC was authorized by the Tax Reform Act of 1986.[4] The tax credit is an incentive for individuals and corporations to invest in the construction or rehabilitation of low income housing. The tax credit provides the investor a dollar-for-dollar reduction in personal or corporate federal income tax liability for a 10-year period for projects meeting program requirements.

The Recovery Act was intended to provide relief to the conditions caused by the economic crisis, at the time. Part of that relief, provided in Section 1602 of the Recovery Act, consisted of grants awarded to states[5] for low-income housing projects in lieu of low-income housing credit allocations. The purpose of Section 1602 was to fill the gap left by the reduced demand for low-income housing tax credits that would enable low-income housing projects to continue or begin in cases where developers could not obtain private investment, as well as, increase the availability of affordable housing. The Secretary of the Treasury is responsible for carrying out the requirements of Section 1602.

Eligibility Under the 1602 Program

Under the Recovery Act, state housing credit agencies were allowed to exchange a portion of their low-income housing credits for Section 1602 funds. The maximum funds available to a state could not exceed its "Low-Income Housing Grant Election Amount"[6] as determined under Section 1602. In turn, state housing credit agencies would disburse funds to eligible subawardees to help finance either the construction or the

[4] Pub. L. No. 99-514, Stat. 2189 (Oct. 22, 1986)
[5] According to Treasury's Grantee Terms and Conditions…"a. The grantee is the housing credit agency for one of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, American Samoa, Guam, or the Northern Mariana Islands which files Form 8610, Annual Low-Income Housing Credit Agencies Report with the Internal Revenue Service."
[6] "Low-Income Housing Grant Election Amount" may not exceed 85 percent of the sum of (1) 10 times (a) the unused State housing credit ceiling (if any) for calendar year 2008 and (b) the amount of State housing credit ceiling returned in 2009, plus (2) 10 times 40 percent of (a) the greater of $2.30 multiplied by the State population or $2,655,000 and (b) unused housing credit carryover allocated to the State in the 2009 National Pool.

acquisition and rehabilitation of qualified low-income housing projects. Section 1602 also provided that subawarded projects be subject to the same eligibility and compliance requirements as the low-income housing credits found in Section 42 of the IRC. In addition to following the IRC Section 42 eligibility and compliance requirements, Section 1602 required that state housing credit agencies:

(1) establish a process to ensure that applicants who were allocated low-income housing credits demonstrate "good faith efforts" to obtain investment commitments for credits elsewhere;

(2) perform asset management functions to ensure subawardee compliance with Section 42 of the IRC and the long-term viability of projects;[7] and

(3) recapture funds in the event of subawardees' non-compliance payable to Treasury.

As part of its overall administration of Treasury's 1602 Program, OFAS developed the terms and conditions of award to identify the eligibility and compliance requirements set forth in both Section 42 of the IRC and Section 1602 of the Recovery Act. State housing credit agencies and subawards funded by them are subject to these terms and conditions for the 15-year compliance period. Among the terms and conditions, state housing credit agencies are required to provide quarterly financial status and project performance reports and other applicable reports to ensure their compliance with the terms and conditions of their 1602 Program awards. In its post subaward reporting guidance, OFAS required that state housing credit agencies certify annually that (1) the amount of Section 1602 funds subawarded to a project was equal to or less than 85 percent of the project's eligible basis; and (2) funded projects remain "qualified" throughout the 15-year compliance period. Appendix 2 provides the detail contained in OFAS' terms and conditions for award.

[7] Low-income housing projects must be financially feasible and remain viable throughout the 15-year compliance period required by Section 42 of the IRC.

Since awards under the 1602 Program are not grants but an exchange of low-income housing credits falling under the requirements of Section 42 of the IRC, they are not required to be within the scope of the Single Audit Act[8] or the Office of Management and Budget (OMB) Circular No. A-133.[9]

Missouri Housing Development Commission

Katy Trail Estates, Clinton Missouri
(OIG Photograph, November 2013)

MHDC has been designated by the Governor of the State of Missouri as the "Housing Credit Agency" for the state. MHDC provides financing for housing and other related services to low and moderate income residents of Missouri. MHDC is also responsible for administering Missouri's low-income housing tax credit program and allocates credits based on the selection criteria set forth in its Qualified Allocation Plan (QAP). In 2009, MHDC exchanged a portion of its low-income housing credits for $75,876,174 under the 1602 Program which helped fund 25 projects that were stalled due to fallout from the low-income housing tax credit equity market. As a result, a total of 1,938 housing units were created, of which 1,880 units were set aside as low-income for qualifying residents throughout Missouri. Projects were placed in-service between July 2010 and June 2012.

Audit Results

We found that MHDC generally complied with the terms and conditions of its 1602 Program award. Specifically, MHDC met the requirements for receiving its 1602 Program award as well as requirements for subawarding those funds to low-income housing projects. Although we found no noncompliance regarding the 1602

[8] Pub. L. 98-502, amended by Pub. L. 104-145, *Single Audit Act Amendment of 1996*
[9] OMB Circular No. A-133, *Audits of States, Local Governments and Non-Profit Organizations* (June 2007)

Program, we did find that MHDC disbursed $28,967 of its 1602 Program funds to a developer whose project cost was later modified. As a result of that modification, MHDC should have applied the excess payment to another qualified project expense or returned the funds to Treasury. However, we found that it had done neither. Subsequent to notifying MHDC of this matter, management returned the excess 1602 Program payment to Treasury on July 24, 2014.

We found that MHDC established a process for monitoring the long-term viability of the projects and their compliance with 1602 Program requirements. It also met Treasury reporting requirements. Based on our review of MHDC's administration and oversight activities, we concluded that the projects funded with 1602 Program funds met the subaward requirements.

Awarding

MHDC requested and was awarded $75,876,174 of 1602 Program funds, which was equal to MHDC's low-income housing election amount. In turn, MHDC subawarded its 1602 Program funds to 25 eligible low-income housing projects in exchange for tax credits. We reviewed 10 of the 25 subawards and found that, as required by the 1602 Program terms and conditions, MHDC subawarded funds to low-income housing projects which (1) qualified under Section 42 of the IRC, (2) demonstrated "good faith efforts" to obtain investments elsewhere, and (3) did not exceed the amounts necessary to make the projects financially feasible and viable throughout the 15-year compliance period.

Subawarding

Through its tax credit allocation and 1602 Program tax credit exchange process, MHDC identified 25 qualified projects which were allocated tax credits in 2006, 2007, and 2008, but were stalled due to the downturn in the low-income housing tax credit equity market. In selecting these projects, MHDC applied its QAP for each respective year. The QAPs established the selection criteria for low-income housing projects, and provided guidance for tax credit allocations and 1602 Program subawards. Based on our review, we noted that MHDC's QAP complied with the 1602

Program terms and conditions which reference Section 42 of the IRC where the statutory provision for QAPs is required. We also determined that MHDC properly allocated low-income housing credits to projects qualified under Section 42 of the IRC and was compliant with the 1602 Program terms and conditions for subawarding funds to those projects.

Although not required by the QAP, we noted that MHDC could not provide documentation to support its evaluation of projects and specific project selections. Similarly, the Missouri State Auditor found that MHDC lacked documentation to show how projects were evaluated and selected to receive tax credits under the LIHTC program.[10] Nevertheless, MHDC's evaluation methodology for selecting and rejecting applicants to receive 1602 funds complied with its QAP selection criteria and with Treasury's terms and conditions and Section 42 of the IRC.

Furthermore, as part of its application process, MHDC ensured that all 25 subawardees made "good faith efforts" in their attempts to obtain other investment commitments for tax credits in lieu of the 1602 Program subawards, and that subawarded amounts did not exceed the amounts necessary to ensure the projects' financial feasibility and future viability.

Compliance and Asset Management

As required by Section 1602 of the Recovery Act, MHDC established compliance and asset management oversight functions to ensure that low-income housing projects comply with Section 42 of the IRC and remain viable during the 15-year compliance period.

MHDC also imposed recapture requirements in its subaward agreements in the event of subawardee noncompliance. Section 1602 of the Recovery Act required that state housing credit agencies impose conditions and/or restrictions, including recapture requirements, on subawardees to ensure low-income housing projects remain qualified during the 15-year compliance period. OFAS stipulated in its terms and conditions that recapture

[10] Missouri State Auditor Report 2008-23: "Tax Credit - Analysis of Low Income Housing Tax Credit Program"

requirements be included in state credit housing agencies' written subaward agreements. Furthermore, state housing credit agencies were required by OFAS to have procedures in place for monitoring 1602 Program subawardees to identify and correct issues of noncompliance during the compliance period.[11] In the event of noncompliance, state housing credit agencies must impose consequences such as possible state program debarment and the recapture of 1602 Program funds, payable to Treasury.

MHDC structured its 1602 Program subawards as tax credit replacement forgivable loans subject to recapture in the event a low-income building does not remain qualified during the 15-year compliance period. At the time of our audit, all of the 10 projects we reviewed had completed the first year of the 15-year compliance period. MHDC commenced its compliance monitoring of the 10 projects by performing on-site inspections of project buildings and units, reviews of management practices, and reviews of project tenant files for compliance with Section 42 of the IRC.

MHDC's policy is to perform its asset management function on each 1602 Program project throughout the 15-year compliance period to ensure its long-term viability. Specifically, MHDC requires all properties to submit occupancy reports and financial statement information monthly, as well as, budget information and audited financial statements annually, through MHDC's Asset Management Report System.

MHDC's continuous compliance monitoring and asset management during the remaining years within the 15-year compliance period should ensure 1602 projects maintain qualified low-income buildings.

Reporting

OFAS requires that state housing credit agencies submit quarterly financial status and project performance reports for each low-income housing project during the development stage as well as other reports deemed necessary to ensure compliance with

[11] Treasury, "Section 1602 - Payments to States for Low-Income Housing Projects in Lieu of Low-Income Housing Credits for 2009 Recapture Guidance"

provisions of Section 1602. In its post sub-award reporting guidance, OFAS also requires that state housing credit agencies provide two additional certification reports. The first report is to certify each project's placed in-service date and whether 1602 Program funds used were equal to or less than 85 percent of the project's eligible basis. The second report is required each year thereafter for the project's annual compliance throughout the 15-year compliance period once the project is placed in service.

At the time of our review, we found that MHDC complied with OFAS' reporting requirements. That is, MHDC submitted quarterly project performance reports during each project's developmental stage and annual certification reports after the project was placed in service.

* * * * * *

We appreciate the courtesies and cooperation provided to our staff during this audit. If you wish to discuss this report, you may contact me at (202) 927-6236 or Colleen McElwee, Audit Manager, at (202) 927-5839. Major contributors to this report are provided in appendix 5.

/s/

Lisa Carter
Audit Director

In November 2013, we initiated our audit of the Missouri Housing Development Commission (MHDC) as part of our audits of state housing credit agencies funded under Treasury's Payments to States for Low-Income Housing Projects in Lieu of Low-Income Housing Credit Allocations for 2009 (1602 Program). The objective of these audits is to assess whether state housing credit agencies awarded funds under Treasury's 1602 Program complied with the program's requirements contained in the "Grantee Terms and Conditions" (hereinafter terms and conditions). The terms and conditions outline the program requirements for award eligibility, compliance monitoring and reporting. To meet our objective we assessed whether MHDC properly received and subawarded 1602 Program funds, implemented compliance and asset management processes, and met Treasury's reporting requirements.

We statistically selected MHDC from the universe of 55 states and territories receiving 1602 Program funds. In the case of MHDC, we statistically selected and reviewed 10 of the 25 projects and related cash disbursements representing more than 50 percent of MHDC's 1602 Program funds. In performing our work, we visited MHDC in Kansas City, Missouri; interviewed key personnel of MHDC; reviewed documents used to support Missouri's low-income housing credit allocation; reviewed 10 approved low-income housing projects including cash disbursements to projects and project's existence; and assessed MHDC's compliance with Treasury's terms and conditions. We also conducted site visits to three projects located in Kansas City and Clinton, Missouri. We performed our fieldwork between November 2013 and July 2014.

We conducted this performance 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 objectives.

Grants to States for Low-Income Housing Projects in Lieu of Low-Income Housing Credits for 2009

GRANTEE TERMS AND CONDITIONS

1. Authority
a. Section 1602 of the American Recovery and Reinvestment Tax Act of 2009 (Act) authorizes the United States Department of the Treasury (Treasury) to issue grants to State housing credit agencies in lieu of low-income housing credits.

b. The grantee has authority to receive Section 1602 grants.

2. Grantee Eligibility
a. The grantee is the housing credit agency for one of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, American Samoa, Guam, or the Northern Mariana Islands which files Form 8610, Annual Low-Income Housing Credit Agencies Report with the Internal Revenue Service.

b. The grantee shall be the sole recipient of the Section 1602 funds in the State and must coordinate with other housing credit agencies within the State (including any constitutional home rule cities) to determine how much of their 2009 credit ceiling the other agencies would elect to take in the form of a grant election amount and will provide to those agencies their proportionate share.

c. The grantee shall enter into written agreement with any other participating housing credit agencies within the State, binding the participating agency to comply with the terms and conditions applicable to the grantee or designated state agency in the sections 3 through 10 of these terms and conditions.

d. The grantee is the party responsible to Treasury for all grant matters.

3. Eligible Projects
a. The grantee shall only select projects for subawards which are qualified low-income buildings under Section 42 of the Internal Revenue Code (the Code).

b. The grantee must ensure that the subaward is consistent with the requirement of section 42(m)(2) of the Code that the subaward made for a project [building(s)] does not exceed the amount necessary to ensure the financial feasibility of the project and its viability as a project throughout the credit period.

4. Use of Grant Funds
a. The grantee is receiving an initial grant election amount. The grantee may apply for additional grant funds through 2010. If the Treasury Department approves the request, the Treasury Department will amend the award to increase the grant amount.

b. The grantee shall use all grant amounts to make subawards, or for transfer to other agencies to make subawards. The subawards shall be in the form of cash assistance and are not required to be repaid unless there is a recapture event with respect to the qualified low-income building. The grantee shall not use grant election amounts for any other purpose, including administrative costs. The grantee may collect reasonable fees from a subawardee to cover expenses associated with performance of its duties under Section 1602(c)(3) of the Act, Compliance and Asset Management. Reasonable fees are amounts customarily charged for the same or similar services and in no event may exceed costs.

c. The grantee may disburse grant funds to subawardees in 2009 and 2010. The grantee may disburse grant funds to subawardees in 2011 provided the subaward has been made to the subawardee on or before December 31, 2010 and the subawardee has, by the close of 2010, paid or incurred at least 30 percent of the subawardee's total adjusted basis in land and depreciable property that is reasonably expected to be part of the low-income housing project for which the disbursements are made.

d. The subawards shall finance the construction or acquisition and rehabilitation of qualified low-income buildings in accordance with Section 1602(c) of the Act.

e. The grantee shall make subawards in the same manner and shall be subject to the same limitations as an allocation of housing credit dollar amount allocated under Section 42(m) of the Code, except for the additional determinations required in subsection g of this section.

f. Prior to making any subaward, the grantee shall establish a written process for making a determination that applicants for subawards have demonstrated a good faith effort to obtain investment commitments for tax credits in lieu of a subaward.

g. Prior to making any subaward, the grantee shall make a determination that the applicant for the subaward has demonstrated a good faith effort to obtain investment commitments for tax credits in lieu of the subaward.

5. Written Agreements and Disbursements to Subawardees

a. The grantee shall execute a legally binding written agreement with the entity receiving a subaward. The grantee and the subawardee must execute the written agreement before any Section 1602 funds are disbursed to the subawardee.

b. The written agreement must set forth (explicitly, or incorporated by reference) all Section 1602 program requirements, including the requirements of Section 42 of the Code, applicable to the subaward.

c. The written agreement shall impose conditions or restrictions, including a requirement providing for recapture, so as to assure that the qualified low-income building remains a qualified low-income building during the 15-year compliance period. The written agreement may include the extended low-income housing commitment under Section 42(h)(6)(B) of the Code.

d. The written agreement shall require the subawardee to provide sufficient information to the grantee to report on the use of grant funds as required by section 8 of these terms and conditions.

6. Asset Management
a. The grantee shall perform asset management functions so as to ensure compliance with Section 42 of the Code and the regulations thereunder (including Title 26 Code of Federal Regulations section 1.42.9), and the long-term viability of the buildings funded by a subaward under the Act in accordance with Section 1602(c)(3) of the Act.

7. Compliance with the 2009 State Housing Credit Ceiling
a. The grantee shall track (1) the credit equivalent of all grant election amounts to ensure that the 2009 State Housing Credit Ceiling is appropriately reduced as required by section 42(i)(9)(A) of the Code and (2) total grant election amounts to ensure that these amounts do not exceed the amount authorized by section 1602(b).

b. The grantee shall track the total of credits allocated under Section 42(h)(1) of the Code.

c. The grantee shall ensure that the credit equivalent of all elected grant amounts through 2010, plus the credits allocated under Section 42(h)(1) of the Code during 2009, do not exceed the State housing credit ceiling for 2009.

8. Reporting
a. The grantee shall provide periodic reports as required by Treasury. A financial status report and a project performance report is required on a quarterly basis, due 10 working days after the end of the quarter. Quarters end on March 31, June 30, September 30, and December 31.

b. The performance report has the following elements on each project receiving a subaward during the quarter:

- Name of recipient entity
- Name of project
- Brief description of project
- Location of project: city/county, State, zip code
- Number of construction jobs created
- Number of construction jobs retained
- Number of non-construction jobs created
- Number of non-construction jobs retained
- Number of total housing units newly constructed
- Number of total housing units rehabilitated
- Number of low-income housing units newly constructed
- Number of low-income housing units rehabilitated

c. The grantee shall submit any other reports that Treasury deems necessary to comply with Section 1602 of the Act and American Recovery and Reinvestment Act guidance.

9. Recapture

a. The grantee shall include in any subaward a requirement providing for recapture to assure that the building remains a qualified low-income building during the 15-year compliance period.

b. The grantee shall notify subawardees that any amount subject to recapture becomes a debt owed to the United States payable to the General Fund of the Treasury and enforceable by all available means against any assets of the recipient entity.

10. Financial Management

a. The grantee must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the designated State housing credit agency must be sufficient to permit preparation of required reports and permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes. Effective control and accountability must be maintained for all grant funds.

b. The grantee shall open a new account (Grant Account) with a financial institution for the purpose of receiving grant election amounts, for making distributions of grant election amounts to other agencies within the State, and for making subawards.

c. The grantee must maintain program, financial, and accounting records sufficient to demonstrate that grant funds were used in accordance with the Section 1602 program and these terms and conditions. The Treasury as the awarding office, the cognizant Treasury inspector general, and the Comptroller General of the United States, or any of their authorized representatives, shall have the right of access to facilities and to any pertinent books, documents, papers, or other records (electronic and otherwise) of grantees, which are pertinent to the grant, in order to make audits, examinations, excerpts, and transcripts.

d. The grantee shall minimize the time between the receipt of grant funds and the disbursement of those funds to subawardees. Federal funds cannot be drawn by the grantee from the U.S. Treasury in advance of need. The grantee shall not place in escrow or advance lump sums to project owners. Once funds are drawn from the grantee's U.S. Treasury account, they must be expended as a subaward by the grantee within three days, or if grant funds are transferred by the grantee to another agency, as a subaward by that agency within three days following the date of transfer by the grantee.

e. The grantee shall promptly return to its Grant Account any subawards returned to the designated State housing credit agency from subawardees and shall expend returned amounts as subawards before additional grant amounts are drawn from the Treasury.

11. Disallowance, Suspension, and Termination

a. If the grantee materially fails to comply with any term of the award, whether stated in a Federal statute or regulation, the terms and conditions herein, in a State plan or application, a notice of award, or elsewhere, Treasury may take one or more of the following actions, as appropriate in the circumstances:

- Temporarily halt cash payments pending correction of the deficiency by the grantee
- Disallow all or part of the cost of the activity or action not in compliance
- Wholly or partly suspend or terminate the current award
- Withhold further awards for the program
- Take other remedies that may be legally available

In taking an enforcement action, Treasury will provide the grantee the opportunity for a hearing, appeal, or other administrative proceeding to which the grantee is entitled under any statute or regulation applicable to the action involved.

b. The grantee must immediately report any indication of fraud, waste, abuse, or potentially criminal activity pertaining to grant funds to Treasury and the cognizant Treasury inspector general.

12. Return of Unused Grant Funds

a. The grantee shall return to the Treasury by January 1, 2011 any grant election amounts not used to make subawards by December 31, 2010. This requirement does not prevent the State housing credit agency from continuing to disburse funds to subawardees after December 31, 2010 provided:

(1) A subaward has been made to the subawardee on or before December 31, 2010;
(2) The subawardee has, by the close of 2010, paid or incurred at least 30 percent of the subawardee's total adjusted basis in land and depreciable property that is reasonably expected to be part of the low-income housing project; and
(3) Any funds not disbursed to the subawardee by December 31, 2011 must be returned to the Treasury by January 1, 2012.

Signature

Under penalties of perjury, I declare that I have examined the terms and conditions in this application and that the designated State housing credit agency agrees to and will ensure that these terms and conditions will be followed. I declare that I am an authorized official of the designated State housing credit agency and am authorized to bind the State housing credit agency to these Terms and Conditions.

Name		Title	
Phone		Email	
Signature		Date signed	

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August 13, 2014

Ms. Donna Joseph, 740-510
JBAB
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Washington, DC 20222

Re: OIG Audit Report - Section 1602 Program
Missouri Housing Development Commission

Dear Ms. Joseph:

Thank you for providing a draft copy of the OIG Audit Report concerning the award of 1602 Program funds to Missouri Housing Development Commission.

The Audit Report found that MHDC generally complied with the terms and conditions of the 1602 Program in which MHDC exchanged low-income housing credits for $75,876,174 in connection with 25 developments. The report makes no recommendations.

During the course of the audit, OIG auditors discovered that 1602 Program funds in the amount of $28,967 were disbursed to a development whose project costs were later modified. Due to the modification of project costs, the $28,967 should have been recovered and returned to the Treasury. MHDC took immediate steps to recover the overpayment and returned the funds to the Treasury on July 24, 2014. MHDC appreciates OIG's assistance in identifying this error and providing guidance to make the correction.

We appreciate the professionalism of the OIG team that conducted the audit and appreciate the opportunity that was presented to review our internal processes and compliance. If we can be of further assistance, please do not hesitate to contact us at your convenience.

Yours very truly,

Tina Beer
Director of Operations
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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

September 11, 2014

Lisa Carter 740-510
JBAB
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250 Murray Lane SW
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Dear Ms. Carter:

Thank you for the opportunity to review and comment on the Office of the Inspector General's draft report titled "Audit of Missouri Housing Development Commission Payment Under the 1602 Program." We concur with the report's findings that the Missouri Housing Development Commission generally complied with the terms and conditions of the Section 1602 program.

Sincerely,

David A. Lebryk
Fiscal Assistant Secretary

Colleen McElwee, Audit Manager
Erica Wardley, Audit Manager
Myung Han, Audit Manager
Gerald Kelly, Auditor-In-Charge
Nicholas Slonka, Auditor
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