

# Audit Highlights



Highlights of performance audit report on the Housing Division issued on January 17, 2018. Legislative Auditor report # LA18-11.

## Background

The Housing Division of the Department of Business and Industry was created by the Nevada Legislature in 1975 to diminish the shortage of safe, decent, and sanitary housing throughout the State for persons and families of low and moderate income. The mission of the Division is to provide affordable housing opportunities, improving the quality of life for Nevada residents.

As of December 2016, the Division had 32 approved, full-time positions, 4 of which were vacant. The Division's expenditures totaled more than \$19 million in fiscal year 2016. In fiscal year 2016, the Division received approximately \$5 million in federal funding. The Nevada Real Property Transfer Tax and the Universal Energy Charge are other significant sources of income for the Division.

## Purpose of Audit

The purpose of this audit was to: (1) determine whether the Housing Division effectively monitored grant and tax credit recipients to ensure compliance with applicable laws and regulations, and (2) evaluate the internal controls, usefulness, and accuracy of the Division's performance measures. This audit included a review of monitoring activities in calendar year 2016 and performance measures for fiscal year 2016.

## Audit Recommendations

This audit report contains two recommendations to improve the accuracy and usefulness of the Division's performance measures. The Division accepted the two recommendations.

## Recommendation Status

The Division's 60-day plan for corrective action is due on April 12, 2018. In addition, the six-month report on the status of audit recommendations is due on October 12, 2018.

# Housing Division

## Department of Business and Industry

### Summary

The Housing Division effectively monitored low-income housing properties funded by federal tax credit and grant programs to ensure significant program, project, and financial requirements were met. Compliance monitoring staff annually inspect properties that provide housing for thousands of families. These inspections ensure numerous requirements are met on an ongoing basis, including many related to safe and sanitary conditions. The effective monitoring is the result of controls established by the Division to ensure inspections are done timely and thoroughly.

The Division needs to improve its performance measures used in the state's budget process. Specifically, better controls are needed to ensure the measures reported in the Executive Budget are accurate and reliable. In addition, the Division's measures used in the budget process need to be revised to better reflect the accomplishments of the Division's programs and key activities. Performance measures facilitate accountability and provide an opportunity to evaluate success in achieving goals. Measures must be reliable and applicable to the agency to help the Governor, Legislature, and agency officials make informed budgetary and policy decisions.

### Key Findings

We tested 50 of 273 properties the Division currently monitors and found the Division timely and thoroughly monitored them in calendar year 2016. These properties are comprised of approximately 23,000 housing units. The thoroughness and quality of the Division's monitoring provide assurance that families are housed in safe conditions, charged appropriate rent, and are eligible for the programs. Timely and effective monitoring ensures problems are corrected quickly and reported to federal agencies when appropriate. Finally, monitoring properties in accordance with federal requirements helps ensure the State qualifies for future federal funding. (page 4)

The Division has developed various controls to ensure successful monitoring of properties. Its compliance and procedures manuals include expectations above federal requirements. These higher internal standards ensure federal requirements are met even if staff do not meet internal standards. In addition, compliance staff use checklists for the compliance process to help ensure all requirements are verified. Finally, the Division uses compliance auditing management software that is used to schedule upcoming audits, generate reports, document findings, and review tenant qualifications. This software is automatically updated when federal requirements change. (page 6)

The Division's controls for performance measures need improvement to ensure that the numbers reported in future executive budgets are accurate and reliable. The Governor and Legislature use agency measures to help them make budget and policy decisions. Control weaknesses include a lack of documentation, insufficient review, and inadequate written procedures for calculating measures. (page 9)

The usefulness of the Division's performance measures used in the state budget process can be improved. Specifically, five of six measures included in the 2017-2019 Executive Budget did not fully reflect the impact of the Division's efforts. The current performance measures do not provide adequate information on the progress and performance of the Division's programs. Another indication of the limited usefulness of these measures is management utilizes a different set of performance measures to manage its operations throughout the year. Development of useful performance measures can improve internal and external decision-making. (page 10)