



**U.S. Department of Housing and Urban  
Development**  
New England Office of District Inspector General  
for Audit, 1AGA  
Thomas P. O'Neill, Jr. Federal Building  
Room 370  
10 Causeway Street  
Boston, Massachusetts 02222-1092

May 17, 2001

Audit Memorandum  
No: 2001-BO-1803

MEMORANDUM FOR: James Barnes, Office of Community Planning and  
Development, 1AD

FROM: William D. Hartnett, District Inspector General, Office of Audit, 1AGA

SUBJECT: Department of Housing and Community Development  
HOME Program  
State of Massachusetts  
Boston, Massachusetts

Based on discussions with your office, we completed an audit survey of the State of Massachusetts' HOME Program administered by the Department of Housing and Community Development (DHCD). Our objectives were to determine whether DHCD was administering the HOME Program in compliance with HUD requirements and whether HOME funds were efficiently and effectively used to expand the supply of decent, safe and affordable housing for low and very low-income households.

Our survey found that DHCD was: (1) administering the HOME Program in compliance with HUD requirements; and (2) efficiently and effectively utilizing HOME funds to expand the supply of decent, safe and affordable housing for low and very low-income households.

If you have any questions, please contact our office at (617) 565-5259.

## Background

The State of Massachusetts' Department of Housing and Community Development (DHCD) receives and administers grants from the HUD, including funding under the HOME Investment Partnership Act (HOME). The Director of DHCD is Jane Wallis. The HOME Program is administered by Catherine Racer, Associate Director, DHCD's Division of Private Housing. JoAnn McGuirk is the Director of the HOME Program. Records for the HOME Program are located at One Congress Street, Boston, Massachusetts.

The HOME Program was established under Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990. The primary objective of the program is to expand the supply of decent, safe, sanitary, and affordable housing, with primary attention to rental housing, for very low-income and low-income Americans.

As a Housing block grant, the HOME Program provides participating jurisdictions flexibility and discretion over which housing activities to pursue. These activities may include acquisition, rehabilitation, new construction, and resident-based rental assistance. In addition, participating jurisdictions may provide assistance in a number of eligible forms, including loans, advances, equity investments, and interest subsidies. Up to ten percent of the HOME funds received by a participating jurisdiction may be use for HOME Program administrative purposes.

During Fiscal Years 1992-2000, DHCD was allocated HOME Program funds totaling \$109,728,000. HUD's reporting system showed that \$85,324,527 of this total had been drawn down as of January 26, 2001.

From inception through January 2001, DHCD obligated \$102 million out of the \$109,728,000 allocated to four separate programs allowed by HOME (the balance was used for administration costs) as follows:

PROGRAM	AMOUNT
Rental Production	\$ 62,541,528
First Time Homebuyer	\$ 23,495,144
Homeowner Rehabilitation	\$ 11,454,511
Tenant Based Rental Assistance	\$ 4,562,169
Total	\$102,053,352

Expenditures by program for FY 2000 and FY 2001 (through February 14, 2001) were as follows:

PROGRAM	FY 2000	FY 2001	TOTAL
Rental Production	\$ 9,290,238	\$3,773,229	\$13,063,467
First Time Homebuyer	\$ 3,907,775	\$1,806,989	\$ 5,714,764
Homeowner Rehabilitation	\$ 1,659,426	\$1,196,909	\$ 2,856,335
Tenant Based Rental Assistance	\$ 24,991	0	\$ 24,991
Totals	\$14,882,430	\$6,777,127	\$21,659,557

## Audit Objectives, Scope, and Methodology

The objectives of our audit were to determine whether DHCD was administering the HOME Program in compliance with HUD requirements and whether HOME funds were efficiently and effectively use to expand the supply of decent, safe and affordable housing for low and very low-income households.

To accomplish our audit objectives we performed the following:

- Reviewed applicable HUD regulations to gain an understanding of HOME program requirements.
- Interviewed HUD’s Massachusetts State Office, Community Planning and Development Division staff for information on the State of Massachusetts’ program.
- Reviewed files and Integrated Disbursement and Information System reports maintained by HUD’s Massachusetts State Office, Community Planning and Development Division for information relating to the State of Massachusetts’ program.
- Interviewed the Associate Director of the Division of Private Housing, Director of the HOME Program, and staff who administer the HOME program to gain an understanding of the structure of DHCD’s HOME program and to identify procedures and controls over the program.
- Reviewed operating policies, guidelines, handbooks, financial records, Notice of Funding Availability (NOFA) for the Rental Production and First Time Homebuyer Programs and applications submitted in response to the NOFAs maintained by DHCD relative to the HOME program.

- Reviewed DHCD's files for two Rental Production projects to assure that: projects met the eligibility and affordability requirements; contracts were properly executed; disbursements were properly supported; and they were adequately monitored.
- Reviewed DHCD's files for four First Time Homebuyer projects to assure that: projects met the eligibility and affordability requirements; contracts were properly executed; disbursements were properly supported; and they were adequately monitored.
- Reviewed administrative costs to assure that they were eligible program costs and adequately supported.
- Performed site inspection of one Rental Production project and one First Time Homebuyer project to assure that decent, safe and sanitary housing was being provided.
- Reviewed the tenant and homebuyer files at those projects to assure that the tenants and homebuyers met the eligibility requirements of the program

We conducted the audit from February 2001 through April 2001. The audit covered the period April 1, 1998 through December 31, 2000 and was extended, as appropriate, to meet our objectives.

## Audit Results

Our survey found that DHCD was: (1) administering the HOME Program in compliance with HUD requirements; and (2) efficiently and effectively utilizing HOME funds to expand the supply of decent, safe and affordable housing for low and very low-income households.

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The Honorable Dan Burton, Chairman, Committee on Government Reform, 2185 Rayburn Bldg., House of Representatives, Washington, DC 20515

The Honorable Henry A. Waxman, Ranking Member, Committee on Government Reform, 2204 Rayburn Bldg., House of Representatives, Washington, DC 20515

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