



A Review of Selected Operations of the State Housing Finance and Development Authority



BACKGROUND

At the request of the General Assembly, we conducted an audit of the State Housing Finance and Development Authority. The requesters were concerned about program efficiency and why more aid for affordable housing was not reaching the needy community.

We reviewed the housing trust fund program, a program created by the General Assembly in 1992 to provide affordable housing. In addition, we reviewed the need for a private corporation affiliated with the authority, which was created to address housing needs.

In our December 2003 audit, requested by the General Assembly, we made recommendations regarding inspections, disbursement of funds, timeliness in completing housing trust fund projects, and funding for special projects. We also recommended that the housing trust fund advisory committee should follow its legal mandate and a private corporation, the State Housing Corporation, which was affiliated with the agency, be disbanded. Lastly, we recommended that the agency should determine the state's housing needs and consolidate its marketing functions.

During our follow-up review, we found that the agency has substantially complied with all of these recommendations. Each of our 2003 recommendations is listed below and followed by its current implementation status.

- 1 The State Housing Finance and Development Authority should ensure that properties receiving housing trust fund awards are inspected. These inspections should be used to confirm that work has been completed and to evaluate recipient performance.**
- 2 The State Housing Finance and Development Authority should disburse housing trust funds to sponsors in accordance with agency guidelines.**
- 3 The State Housing Finance and Development Authority should ensure that housing trust fund projects are completed in the time required.**

We found the State Housing Finance and Development Authority to be in substantial compliance with these three recommendations. To determine if inspections were being conducted as required, if housing trust funds were disbursed according to agency guidelines, and if projects were completed in the required time, we reviewed a randomly-generated sample of 17 (10%) of the 165 projects funded in FY 05-06.

Our review indicated inspections were properly completed and documented in the files, disbursements were made in accordance with agency guidelines, specifically after "approved" inspections, and projects were completed in the times required. We also reviewed three additional emergency repair projects to determine if these projects were being completed within the required six-month time frame. We found all of these projects to be in compliance with agency guidelines.

- 4 The State Housing Finance and Development Authority should discontinue providing housing trust funds for special projects.**

The agency has complied with this recommendation. According to project lists and confirmation by staff, the agency has permanently discontinued the practice of providing housing trust funds for special projects.

- 5 As required by S.C. Code §31-13-430(C), the housing trust fund advisory committee should:**
 - Inform the agency's board of commissioners about critical housing needs;**
 - Recommend areas of the state where requests for proposals for housing developments should be solicited; and**
 - Recommend the types of developments that should be solicited.**

The housing trust fund advisory committee is in compliance with this recommendation. According to agency staff, the advisory committee provides the information to the agency as required by state law. We reviewed advisory committee meeting minutes from 2003 through 2006 and found that the committee was meeting regularly, discussing relevant issues, and providing the board of commissioners with pertinent information.

WE RECEIVED INFORMATION FROM THE STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY REGARDING THE IMPLEMENTATION OF THE RECOMMENDATIONS IN THE AUDIT. WE REVIEWED THIS AND OTHER INFORMATION, INTERVIEWED OFFICIALS, AND VERIFIED EVIDENCE SUPPORTING AGENCY INFORMATION AS APPROPRIATE.

FOR MORE INFORMATION

Our full report, summary, and this document are published on the Internet at

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6 The State Housing Corporation, the private corporation affiliated with the State Housing Finance and Development Authority, should be disbanded.

If the State Housing Corporation continues to operate:

7 The State Housing Finance and Development Authority should avoid potential conflicts of interest with the State Housing Corporation.

8 The State Housing Finance and Development Authority should maintain an “arm’s length” relationship with the State Housing Corporation, a private corporation. The authority should comply with state law by *not* subsidizing the corporation.

9 The State Housing Finance and Development Authority should obtain full reimbursement from the State Housing Corporation for services provided to the corporation.

10 The State Housing Corporation should not compete with private organizations in developing affordable housing projects.

Recommendation 6 was implemented; therefore recommendations 7 through 10 are not applicable. The board of directors of the State Housing Corporation voted in November 2003 to disband this corporation. We found that articles of dissolution were filed with the Secretary of State on March 16, 2004. According to the agency, all associated bank accounts were closed, and the agency’s financial audit noted the dissolution of the corporation. The State Housing Corporation voted to return funds remaining from these accounts to the State Housing Finance and Development Authority. We obtained documentation that these funds were returned to the agency.

11 The State Housing Finance and Development Authority should determine the state’s housing needs. This data should be used to disseminate information on housing programs to citizens the programs are designed to serve.

The agency has complied with this recommendation. In addition to a 2003 contracted study, the agency has created a division to review and assimilate available information related to housing into a comprehensive tool for identifying housing needs. According to staff, the agency uses various resources to determine the state’s housing needs. The agency has worked with the Strom Thurmond Institute of Government and Public Affairs at Clemson University to develop an affordable housing needs index which will reflect numerous variables (indicators such as median family income, percent at or below poverty rate, etc.) which can be periodically updated. According to staff, the agency understands where the needs are and how they correspond with development.

12 The State Housing Finance and Development Authority should consolidate its marketing functions.

The agency has complied with this recommendation. The agency reorganized in September 2005 and created the special projects group to consolidate its marketing and public information functions. This division includes a program coordinator, a graphic artist, a public information officer, and a statistician. According to staff, this division produces all the written materials which are distributed to the public and works with the various program staff to ensure accurate content of materials.