



Audit Report



OIG-16-026

DOMESTIC ASSISTANCE

Recovery Act: Audit of North Dakota Housing Finance Agency's Payment Under 1602 Program

January 5, 2016

Office of
Inspector General

Department of the Treasury

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Acronyms

IRC	Internal Revenue Code
OFAS	Office of the Fiscal Assistant Secretary
OIG	Office of Inspector General
NDHFA	North Dakota Housing Finance Agency
QAP	Qualified Allocation Plan

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*The Department of the Treasury
Office of Inspector General*

January 5, 2016

David A. 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 the American Recovery and Reinvestment Act of 2009 (Recovery Act),² we conducted audits of awards made to selected State housing credit agencies. The objective of these audits was 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 North Dakota Housing Finance Agency's (NDHFA) compliance with the 1602 Program requirements. Appendix 1 provides a more detailed description of our audit objectives, scope, and methodology.

Results in Brief

We found that NDHFA complied with Treasury's 1602 Program terms and conditions which capture the eligibility and compliance requirements set forth in both Section 42 of the Internal Revenue Code (IRC)³ and Section 1602 of the Recovery Act. That is, NDHFA met the applicable requirements for receiving its \$7,444,241 1602 Program award as well as requirements for subawarding funds to eligible low-income housing projects.

¹ Treasury's Office of the Fiscal Assistant Secretary (OFAS) administers this program.

² Public Law 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.

³ 26 U.S.C. §42, "Low-income housing credit"

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

As part of our reporting process over the 1602 Program awardees, we provided NDHFA an opportunity to comment on a draft of this report. In a written response, NDHFA management agreed with our conclusions and expressed its commitment to comply with the terms and conditions of the 1602 Program award over the remainder of the 15-year compliance period. NDHFA's response is provided in appendix 3.

After incorporating NDHFA's response into a draft of this report, we provided the draft to Treasury management for comment. Treasury management concurred with our audit results. Management's response is provided in appendix 4.

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. For projects meeting the program requirements, the tax credit provides the investor a dollar-for-dollar reduction in personal or corporate federal income tax liability for a 10-year period.

The Recovery Act 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 States⁵ for low-income housing projects in lieu of low-

⁴ Public Law 99-514, Stat. 2189 (Oct. 22, 1986)

⁵ According to Treasury's Grantee Terms and Conditions, "...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."

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 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

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 \$2,665,000 and (b) unused housing credit carryover allocated to the State in the 2009 National Pool.

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.

(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.

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 within the required scope of the Single Audit Act⁸ nor apart of the audit universe explicitly set by the Office of Management and Budget. Therefore, unless the State auditor specifically audits these awards, the awards to the respective States and their subawardees will not receive audit coverage.

⁸ Public Law 98-502, as amended by Public Law 104-145, Single Audit Act Amendment of 1996

North Dakota Housing Finance Agency



Jameshouse
(OIG Photograph, July 2013)

NDHFA provides affordable home financing and availability of suitable rental housing for low to moderate income families in North Dakota. NDHFA is the sole entity responsible for administering North Dakota'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, NDHFA

exchanged a portion of its low-income housing credits for \$7,444,241 under the 1602 Program which helped to restart 3 projects affected by economic conditions within the low-income housing tax credit equity market. As a result, a total of 175 housing units were created, all of which were set aside as low-income for qualifying residents throughout the State. Projects were placed in-service between October 2010 and June 2011.

Audit Results

We found that NDHFA complied with the terms and conditions of its 1602 Program award. Specifically, NDHFA met the requirements for receiving its 1602 Program award as well as requirements for subawarding those funds to low-income housing projects. NDHFA established a process for monitoring the long-term viability of projects and their compliance with 1602 Program requirements and met Treasury's reporting requirements.

Based on our review of NDHFA's administration and oversight activities, we concluded that the projects funded with 1602 Program funds met the subaward requirements contained in the 1602 Program terms and conditions.

Awarding

NDHFA requested and was awarded \$7,444,241 of 1602 Program funds, which were equal to NDHFA's low-income housing election amounts for 2009 and 2010 combined. In turn, NDHFA subawarded \$7,443,347 to low-income housing projects. Since the remaining \$894 was not disbursed by Treasury's December 31, 2011, deadline, funds were de-obligated and returned to the General Fund as required by the 1602 Program terms and conditions.

NDHFA subawarded its 1602 Program funds to three eligible low-income housing projects in exchange for tax credits. As required by the 1602 Program terms and conditions, NDHFA 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 processes, NDHFA identified 3 qualified projects which were allocated tax credits in 2008 and 2009 but were stalled due to conditions in the low-income housing tax credit equity market. In selecting these projects, NDHFA applied the tax credits consistent with the criteria laid out in its QAPs 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 NDHFA's QAPs 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 NDHFA properly allocated low-income 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.

Furthermore, as part of its application process, NDHFA ensured that 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, NDHFA has compliance monitoring and asset management oversight functions in place to ensure that low-income housing projects comply with Section 42 of the IRC and remain viable during the 15-year compliance period. Third-party contractors provide asset management services for the 1602 projects that include reviewing budgets, rent/occupancy reports, and quarterly financial reports to determine the fiscal health and long-term viability of low-income housing projects.

Section 1602 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. NDHFA included the requisite recapture requirements in its subaward agreements in the event of subawardee noncompliance.

OFAS stipulated in its terms and conditions that recapture 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. In the event of noncompliance, State housing credit agencies must take reasonable action to recapture of 1602 Program funds, payable to Treasury.⁹

NDHFA structured its 1602 Program subawards to ensure that the low-income development remain qualified during the 15-year compliance period to avoid a potential recapture event. All of the three projects we reviewed had completed the first year of the 15-year compliance period. NDHFA commenced its compliance monitoring of the three projects by performing on-site inspections of project buildings and units along with an examination of the "Annual Owner Certification," the "Housing Summary Report," and

⁹ Treasury, "Section 1602—Payments to States for Low-Income Housing Projects in Lieu of Low-Income Housing Credits for 2009 Recapture Guidance"

relevant financial information for the reporting cycle to determine compliance with Section 42 of the IRC.

NDHFA's policy requires that an annual asset management review be performed on each 1602 Program project throughout the 15-year compliance period to ensure its long-term viability. Third party contractors perform the annual review for each project. Information collected as part of the asset management review includes rental revenue, operation costs, property management reports, and audited financial statements.

NDHFA's continuous compliance monitoring and asset management reviews for the remaining years within the projects' 15-year compliance period, should help ensure that 1602 projects continue to be qualified low-income buildings.

Quarterly and Annual 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 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.

We found that NDHFA complied with OFAS' reporting requirements. That is, NDHFA submitted quarterly project performance reports during each project's developmental stage and the required annual certification reports after the project was placed in service.

* * * * *

We appreciate the courtesies and cooperation extended by your staff during this audit. Major contributors to this report are listed in appendix 5. A distribution list for this report is provided in appendix 6. If you have any questions, you may contact me at (202) 927-0009 or Shiela Michel, Audit Manager, at (202) 927-5407.

/s/

James Hodge
Acting Audit Director

In July 2013, we initiated our audit of the North Dakota Housing Finance Agency (NDHFA) as part of our audits of State housing credit agencies funded under 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) authorized by Section 1602 of the American Recovery and Reinvestment Act of 2009 (Recovery Act). The objective of these audits was 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. In this report, we assessed whether NDHFA properly received and subawarded 1602 Program funds, implemented compliance and asset management processes, and met Treasury's reporting requirements.

We statistically selected NDHFA from the universe of 55 States and territories eligible to receive 1602 Program funds. We caution, however, that our sample was randomly selected to avoid bias and not for the purpose of projecting results to the universe or concluding on the effectiveness of the 1602 Program. In the case of NDHFA, we reviewed all three funded projects representing the State's 1602 award amount of \$7,444,241.

In performing our work, we reviewed applicable laws and regulations governing the 1602 Program to include the Recovery Act and Section 42 of the Internal Revenue Code, as well as Treasury's policies and procedures. We also visited NDHFA in Bismarck, North Dakota, where we interviewed key personnel; reviewed documents used to support NDHFA's low-income housing credit allocation, low-income housing projects' existence, and cash disbursements to projects; and assessed NDHFA's overall compliance with Treasury's terms and conditions. We also conducted a site visit to one of the projects located in Jamestown, North Dakota. We performed our fieldwork between July 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	

Appendix 3
North Dakota Housing Finance Agency Response



Jolene Kline Executive Director

INDUSTRIAL COMMISSION
Jack Dalrymple Governor
Wayne Stenehjem Attorney General
Doug Goehring Agriculture Commissioner

December 14, 2015

Ms. Donna Joseph 740-540
JBAB
Building 410/Door 123
250 Murray Lane SW
Washington, D.C. 20222

Re: Section 1602 Program Audit for North Dakota Housing Finance Agency (NDHFA)

Dear Ms. Joseph:

Thank you for the opportunity to respond to the Office of Inspector General's (OIG) draft audit report for NDHFA's payment under the Department of Treasury's 1602 Program. NDHFA has thoroughly reviewed the draft audit report, dated November 30, 2015, and agrees with the OIG's conclusions therein.

NDHFA strives to be a good steward of all public moneys in its trust. We are pleased that the draft audit report affirms NDHFA's efficient and effective administration of the 1602 Program award in North Dakota. The 1602 Program was essential in advancing affordable housing projects in North Dakota which would otherwise have been stalled by a period of depressed activity in the federal tax credit market. Please be assured that NDHFA will continue to work diligently to ensure compliance with the terms and conditions of the 1602 Program award over the remainder of the 15-year compliance period.

NDHFA appreciates the OIG's role in ensuring integrity and efficiency in federal programs. Further, NDHFA wishes to thank the OIG team members for their work on this audit and for the professionalism displayed throughout the process. If NDHFA can provide any further information about North Dakota's 1602 Program award, please do not hesitate to be in touch.

Sincerely,

A handwritten signature in black ink that reads "Jolene Kline". The signature is written in a cursive style.

Jolene Kline
Executive Director

Appendix 4
Management Response



ASSISTANT SECRETARY

DEPARTMENT OF THE TREASURY
WASHINGTON

December 24, 2015

James Hodge 740-510
JBAB
Building 410/Door 123
250 Murray Lane SW
Washington, D.C. 20222

Dear Mr Hodge:

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

Sincerely,

David A. Lebryk
Fiscal Assistant Secretary

Appendix 5
Major Contributors To This Report

Shiela Michel, Audit Manager
Gerald Kelly, Auditor-In-Charge
Paul Harris, Program Analyst
Richard Wood, Referencer
Patrick Arnold, Referencer

Department of the Treasury

Deputy Secretary
Assistant Secretary for Management of the Treasury
Fiscal Assistant Secretary
Deputy Assistant Secretary, Fiscal Operations and Policy
Office of Strategic Planning and Performance Management
Office of the Deputy Chief Financial Officer, Risk and Control
Group
Program Manager, Office of Fiscal Assistant Secretary

Office of Management and Budget

OIG Budget Examiner

North Dakota Housing Finance Agency

Executive Director

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Treasury OIG Website

Access Treasury OIG reports and other information online:

<http://www.treasury.gov/about/organizational-structure/ig/Pages/default.aspx>

Report Waste, Fraud, and Abuse

OIG Hotline for Treasury Programs and Operations – Call toll free: 1-800-359-3898

Gulf Coast Restoration Hotline – Call toll free: 1-855-584.GULF (4853)

Email: Hotline@oig.treas.gov

Submit a complaint using our online form:

<https://www.treasury.gov/about/organizational-structure/ig/Pages/OigOnlineHotlineForm.aspx>