



Audit Report



OIG-18-048

DOMESTIC ASSISTANCE

Recovery Act: Audit of New Hampshire Housing Finance Authority's Payment Under 1602 Program

July 25, 2018

Office of Inspector General
Department of the Treasury

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Abbreviations

1602 Program	Payments to States for Low-Income Housing Projects in Lieu of Low-Income Housing Credits for 2009
IRC	Internal Revenue Code
OFAS	Office of the Fiscal Assistant Secretary
OIG	Office of Inspector General
NHHFA	New Hampshire Housing Finance Authority
QAP	Qualified Allocation Plan
Recovery Act	American Recovery and Reinvestment Act of 2009
Treasury	Department of the Treasury

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The Department of the Treasury
Office of Inspector General

July 25, 2018

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 Section 1602 of 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 overall requirements and the "Grantee Terms and Conditions" (together referred to as 1602 Program requirements). In this report, we provided our assessment of New Hampshire Housing Finance Authority's (NHHFA) compliance with the 1602 Program requirements. NHHFA was statistically selected from a universe of 55 States and territories eligible to receive 1602 Program funds. To determine 1602 Program eligibility, our audit scope comprised \$27,713,062 of 1602 Program funds awarded to NHHFA in June and July of 2009. All \$27,713,062 was subawarded to nine eligible low-income housing projects, all of which we reviewed to further assess NHHFA's compliance with 1602 Program subaward requirements. We also tested a non-statistical sample comprising, at a minimum, 50 percent of the disbursements made for each project for a total of \$18,320,362. Appendix 1 provides a more detailed description of our audit objective, scope, and methodology.

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

² Public Law 111-5, 123 Stat. 362-364 (February 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." The "Low-income Housing Grant Election Amount" is further discussed in footnote 6 of this report.

Results in Brief

We found that NHHFA generally complied with Treasury's 1602 Program requirements, 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. Specifically, NHHFA met the applicable requirements for receiving its 1602 Program award totaling \$27,713,062 as well as requirements for subawarding those funds to nine eligible low-income housing projects.

We also found that NHHFA established a process for monitoring the long-term viability of projects and their compliance with 1602 Program requirements. At the time of our review, there were no matters impacting the long-term viability of 1602 Program funded projects and their compliance with Section 42 of the IRC. Furthermore, NHHFA complied with 1602 Program reporting requirements in submitting quarterly project performance reports and annual certification reports to Treasury. As such, we make no recommendation in this report. Nonetheless, we do want to emphasize the need for continued diligence on the part of Treasury and NHHFA to ensure compliance with the 1602 Program requirements over the remaining 15-year compliance period.

As part of our reporting process, we provided NHHFA management an opportunity to comment on a draft of this report. In a written response, NHHFA management acknowledged the results of the audit and noted that the draft audit report accurately described the NHHFA's administration of 1602 Program funds. NHHFA management's response, in its entirety, is included as appendix 3 of this report.

After incorporating NHHFA's response into a draft of this report, we provided the draft report to Treasury management for comment. In a written response, Treasury management concurred with our audit results. Treasury management's response, in its entirety, is provided as appendix 4 of this report.

³ 26 U.S.C. §42 "Low-Income Housing Credit."

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

⁵ According to Treasury's Grantee Terms and Conditions (appendix 2), "...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."

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 (c) the greater of \$2.30 multiplied by the State population or \$2,665,000 and (d) 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’ noncompliance payable to Treasury.

As part of its overall administration of Treasury’s 1602 Program, the Office of the Fiscal Assistant Secretary (OFAS) developed the “Grantee Terms and Conditions” 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 a 15-year compliance period. Among the requirements, State housing credit agencies are required to provide financial status and project performance reports quarterly 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’ “Grantee Terms and Conditions.”

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 conventional grants but an exchange of low-income housing credits falling under the requirements of Section 42 of the IRC, they are not within the scope of the Single Audit Act⁸ nor a part 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 any audit coverage.

New Hampshire Housing Finance Authority



White Birch at Rye
(OIG Photograph, September 2013)

The NHHFA was established as a public instrumentality to promote, finance, and support affordable housing and related services for the people of New Hampshire. NHHFA is responsible for administering New Hampshire's low-income housing tax credit program and allocates credits based on the selection criteria set forth in its Qualified Allocation Plan (QAP).⁹

In 2009, NHHFA exchanged a portion of its low-income housing credits for \$27,713,062 under the 1602 Program, which was subawarded to fund nine projects that were stalled due to the downturn in the low-income housing tax credit equity market. The funded projects yielded 259 low-income housing units which were set aside for qualifying residents throughout New Hampshire. Projects and units were certified for occupancy and placed in-service between August 2010 and December 2011.

⁸ Public Law 98-502 (October 19, 1984), amended by Public Law 104-145, *Single Audit Act Amendments of 1996* (July 5, 1996).

⁹ The QAP establishes the criteria used by the housing credit agency to determine the State's housing priorities that are appropriate to the local conditions, and along with other requirements, gives preference to allocating credit dollar amounts among selected projects.

Audit Results

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

Awarding

NHHFA requested and was awarded \$27,713,062 of 1602 Program funds, which we verified was equal to NHHFA's "Low-Income Housing Grant Election Amount" requested in its application packages.

As required by the 1602 Program requirements, NHHFA subawarded funds to nine low-income housing projects in exchange for tax credits 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

The nine qualified low-income housing projects that received subawards were allocated low-income housing tax credits in 2008 and 2009. These projects were stalled due to the downturn in the low-income housing tax credit equity market, and were subawarded 1602 Program funds in exchange for their 2008 and 2009 low-income housing tax credit allocations. In identifying the nine projects, NHHFA applied the selection criteria set forth in its QAP as required by Section 42 of the IRC.

NHHFA subawarded and disbursed all \$27,713,062 of its 1602 Program funds to the nine subawardees. As part of our testing of NHHFA's compliance with 1602 Program subaward requirements, we also tested a non-statistical sample comprising, at a minimum, 50 percent of the disbursements made for each project totaling

\$18,320,362. We found no instances of noncompliance with 1602 Program subaward requirements over the disbursement of funds. That is, NHHFA (1) expended and accounted for funds in accordance with the State's policies and procedures; (2) maintained program, financial, and accounting records sufficient to demonstrate that funds were used in accordance with 1602 Program requirements; and (3) made disbursements to subawardees within 3 days of NHHFA drawing funds from its Treasury account.

Compliance and Asset Management

As required by Section 1602 of the Recovery Act, NHHFA 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.

Section 1602 of the Recovery Act also required that State housing credit agencies impose conditions, including recapture provisions, on subawardees to ensure low-income housing projects remain qualified during the 15-year compliance period. OFAS further stipulated in its 1602 Program requirements that recapture provisions 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 impose consequences such as possible debarment and the recapture of 1602 Program funds, payable to Treasury.¹⁰

In the case of NHHFA, the requisite recapture provisions were included in its subaward agreements in the event of subawardee noncompliance. NHHFA structured its 1602 Program subawards as tax credit exchange funds, subject to recapture in the event a low-income project does not remain qualified during the 15-year compliance period. All nine projects we reviewed had completed

¹⁰ Treasury, "Section 1602—Payments to States for Low-Income Housing Projects in Lieu of Low-Income Housing Credits for 2009 Recapture Guidance."

the first year of the 15-year compliance period. NHHFA performed compliance monitoring in the same manner it does for the State's low-income housing tax credit program. That is, NHHFA performed timely on-site inspections of project buildings, common areas, grounds, and units for suitability of occupancy and any health and safety hazards. NHHFA also reviewed project and tenant files for the number of units set aside as low-income housing, the number of occupants, the annual income certifications within low-income households, and rents charged, among other compliance requirements. There were no matters impacting compliance with Section 42 of the IRC at the time of our review.

NHHFA'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. Specifically, each project is required to submit to NHHFA quarterly operating reports, tenant move-in files, annual compliance certification reports, annual budget information, and annual audited financial statements to the projects' NHHFA asset manager. The asset manager reviewed the required documents and found no matters impacting the long-term viability of low-income housing projects at the time of our review. NHHFA's continuous compliance monitoring and review of asset management reports for the remaining years within the 15-year compliance period should ensure that 1602 Program projects continue to be qualified low-income buildings.

Quarterly and Annual Reporting

OFAS requires that State housing credit agencies submit financial status and project performance reports for each low-income housing project on a quarterly basis during the development stage as well as other reports deemed necessary to ensure compliance with provisions of Section 1602. In its post subaward 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 NHHFA complied with OFAS' reporting requirements. That is, NHHFA submitted quarterly project performance reports during each project's developmental stage and annual certification reports after each 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 as appendix 6. If you have any questions, you may contact me at (202) 927-1011 or Nick Slonka, Audit Manager, at (202) 927-8772.

/s/

Theresa Cameron
Director, Financial Assistance Audits

In August 2013, we initiated an audit of the New Hampshire Housing Finance Authority (NHHFA) 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 overall requirements and the "Grantee Terms and Conditions" (together referred as 1602 Program requirements). To meet our objective, we assessed whether NHHFA properly received and subawarded 1602 Program funds, implemented compliance and asset management processes, and met Treasury's reporting requirements.

We statistically selected NHHFA 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. Our audit scope comprised \$27,712,062 of 1602 Program funds awarded to NHHFA in June and July of 2009. Of this amount, NHHFA subawarded and disbursed all \$27,712,062 to nine low-income housing projects. We reviewed all nine projects to further assess NHHFA's compliance with 1602 Program subaward requirements. As part of our testing of subaward compliance, we also selected a non-statistical sample comprising, at a minimum, 50 percent of the disbursements made for each project for a total of \$18,320,362.

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 consulted with an Internal Revenue Service Senior Policy Analyst and a Senior Program Analyst for low-income housing tax credits to obtain more specifics on calculating eligible basis. We visited NHHFA in Bedford, New Hampshire, where we interviewed key personnel; reviewed and/or tested documents used to support New Hampshire's (1) "Low-Income Housing Grant Credit Election Amount," (2) the selection of subawards, (3) low-income housing projects' existence, (4) cash disbursements, and (5) conformance

with compliance monitoring, asset management, and 1602 Program reporting requirements. Specifically, we reviewed and/or tested the following documents:

- NHHFA's signed "Grantee Terms and Conditions" with Treasury stipulating all 1602 Program compliance requirements;
- NHHFA's "Annual Low-Income Credit Agencies Report" ("IRS Form 8610") supporting New Hampshire's low-income housing credit allocations for calendar years 2009 and 2010;
- NHHFA's "Qualified Allocation Plan" specifying the selection criteria for identifying eligible projects to be subawarded;
- project developers' market studies supporting low-income housing development needs in specified New Hampshire communities;
- project developers' documentation demonstrating that "good faith efforts" were made to obtain financing prior to receiving a subaward;
- NHHFA's financial feasibility studies supporting the financial solvency and viability of low-income housing projects;
- NHHFA's signed "1602 Mortgage and Security Agreements" with low-income housing project developers specifying subaward amounts and 1602 Program terms and conditions;
- subawardees' draw requests supporting cash disbursements;
- projects' certificates of occupancy supporting existence of low-income housing units;
- projects' certified public accountants cost certification reports verifying costs included as part of each project's eligible cost basis;
- NHHFA's compliance monitoring and asset management reports supporting the continued viability of 1602 Program projects for the duration of the 15-year compliance period; and
- NHHFA's quarterly financial and project performance reports and annual certification reports provided to Treasury ensuring that the 1602 Program subaward was equal to or less than 85 percent the project's eligible basis, and that projects remain qualified projects throughout the 15 year compliance period.

We performed our fieldwork between August 2013 and August 2017, which also included site visits to four low-income housing projects located in Exeter, Manchester, and Rye, New Hampshire.

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	



New Hampshire Housing

Bringing You Home

June 4, 2018

Theresa Cameron
Director, Financial Assistance Audits
Treasury – Office of Inspector General
875 15th Street, NW
Washington, D.C. 20005

RE: OIG Draft Audit Report – Section 1602 Program

Dear Ms. Cameron:

Thank you for providing a draft copy of the Office of the Inspector General Audit Report (the “OIG Audit Report”) concerning the Department of the Treasury’s award of Section 1602 Program funds to New Hampshire Housing Finance Authority (New Hampshire Housing).

We are pleased that the draft OIG Audit Report reflects that New Hampshire Housing met the eligibility and compliance requirements set forth in both Section 42 of the Internal Revenue Code of 1986, as amended, and Section 1602 of the American Recovery and Reinvestment Act of 2009, and that there are no findings, concerns or recommendations related to the audit.

We appreciate the opportunity to comment. The draft OIG Audit Report appears to accurately describe New Hampshire Housing’s administration of Section 1602 Program funds.

If you have any questions prior to the release of the final audit report, please feel free to contact Jessica Patten, Compliance Manager, at jpatten@nhhfa.org.

Sincerely,

Dean J. Christon
Executive Director

Cc: Nicholas Slonka

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

JUL 13 2018

Theresa Cameron
Department of the Treasury
Office of Inspector General
875 15th Street, NW
Washington, DC 20005

Dear Ms Cameron:

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

We appreciate your work on the report and value your feedback.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Lebryk", written over a horizontal line.

David A. Lebryk
Fiscal Assistant Secretary

Nick Slonka, Audit Manager
Paul Harris, Supervisory Program Analyst
Gerald Kelly, Auditor-In-Charge
Amy Wang, Auditor
Usman Abbasi, Referencer

Department of the Treasury

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Fiscal Assistant Secretary
Deputy Assistant Secretary, Fiscal Operations and Policy
Office of Strategic Planning and Performance Improvement
Office of the Deputy Chief Financial Officer, Risk and Control
Group
Director, Office of Grants and Asset Management
Program Director, Office of Housing and Energy

Office of Management and Budget

OIG Budget Examiner

New Hampshire Housing Finance Authority

Executive Director



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