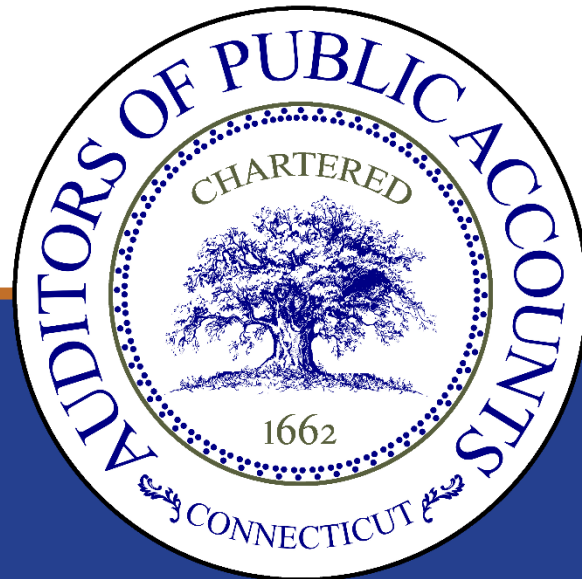


# AUDITORS' REPORT

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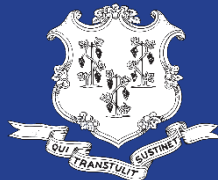
## Department of Housing

FISCAL YEARS ENDED JUNE 30, 2021, 2022, AND 2023



**STATE OF CONNECTICUT**  
Auditors of Public Accounts

**JOHN C. GERAGOSIAN**  
State Auditor



**CRAIG A. MINER**  
State Auditor

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL  
210 CAPITOL AVENUE  
HARTFORD, CONNECTICUT 06106-1559

CRAIG A. MINER

November 20, 2024

INTRODUCTION

We are pleased to submit this audit of the Department of Housing (DOH) for the fiscal years ended June 30, 2021, 2022, and 2023 in accordance with the provisions of Section 2-90 of the Connecticut General Statutes. Our audit identified internal control deficiencies; instances of noncompliance with laws, regulations, or policies; and a need for improvement in practices and procedures that warrant management's attention.

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Department of Housing during the course of our examination.

The Auditors of Public Accounts also would like to acknowledge the auditors who contributed to this report:

Bryne Botticelli  
Hunain Bukhari  
Rigoberto Escalera

Natercia Freitas  
Alexandra Skabardonis

Handwritten signature of Natercia Freitas in black ink.

Natercia Freitas  
Principal Auditor

Approved:

Handwritten signature of John C. Geragosian in black ink.

John C. Geragosian  
State Auditor

Handwritten signature of Craig A. Miner in black ink.

Craig A. Miner  
State Auditor

# STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Department of Housing disclosed the following 15 recommendations, of which 13 were repeated from the previous audit.

## **Finding 1**

### **Inadequate Controls Over Crumbling Foundations Program**

#### **Criteria**

Section 38a-91v of the General Statutes established a captive insurance company to assist owners of residential buildings with concrete foundations that have deteriorated due to the presence of pyrrhotite. The assistance ensures the repair or replacement of these foundations and is intended to provide the owner with a structurally sound concrete foundation by arranging and approving a financial package with the lowest possible amount of borrowed funds.

Section 8-444 of the General Statutes established a special homeowner advocate within the Department of Housing. The advocate is charged with coordinating the state's efforts to assist owners of residential buildings in dealing with crumbling foundations caused by pyrrhotite. This responsibility includes advising and assisting owners in making claims for assistance pursuant to Section 38a-91v of the General Statutes and any other available assistance or support; assisting in the resolution of complaints concerning the captive insurance company; and reporting, not less than annually, to the joint standing committees of the General Assembly including the insurance, finance, planning and development, housing, and public safety. Such report should describe any trends in the complaints and making recommendations to improve the efficiency, fairness, or operations of the captive insurance company.

#### **Condition**

DOH did not fulfill its reporting responsibilities under Section 8-444 of the General Statutes. The department did not file required reports describing any complaint trends and making recommendations to improve the efficiency, fairness, or operations of the captive insurance company.

#### **Context**

According to the Office of Policy and Management's Data and Policy Analytics unit, the exact number of homes affected by pyrrhotite is

unknown but is estimated to be as high as 35,000. DOH transferred \$88,015,339 to the captive insurance company during the audited period.

<b>Effect</b>	DOH did not provide the General Assembly with information necessary to make informed decisions about the program.
<b>Cause</b>	DOH entered into a memorandum of understanding, and subsequently a contract, with the captive insurance company. These agreements did not include provisions for complaint monitoring and access to relevant information.
<b>Prior Audit Finding</b>	This finding has not been previously reported.
<b>Recommendation</b>	The Department of Housing should take the necessary actions to carry out its reporting responsibilities in Section 8-444 of the General Statutes.
<b>Agency Response</b>	"We agree with this finding. DOH will take the necessary steps to ensure that its reporting obligations are met."

## Finding 2

# Inadequate Program Monitoring

### Background

The Department of Housing administers a variety of housing and community development programs, including the Small Cities Community Development Block Grant, Home Investment Partnerships, Affordable Housing, and Housing Trust Fund.

DOH has a memorandum of understanding with the Department of Economic and Community Development (DECD) regarding the sharing of administrative functions and resources. Under the agreement, DECD performs financial and administrative functions for DOH, including some aspects of monitoring the housing and community development programs.

The Homelessness Prevention and Response Fund is a statewide initiative designed to assist individuals and families by offering support and strategies as they transition from homelessness to stable housing. It provides funding to eligible property owners to make needed repairs or operating subsidies for existing unoccupied units. In return, the property owners rent the units to homeless individuals. DOH engaged an administrator to help market the program, contract with participating property owners, coordinate

with service providers, financially manage the program, and monitor for compliance.

## **Criteria**

DOH and the recipients enter funding or assistance agreements which stipulate the terms and conditions of the assistance including required recipient documentation. They include quarterly project milestone and progress reports, semi-annual reports, cost certifications, monitoring checklists and results letters, fully executed funding agreements, and annual audits. The terms, conditions, and documentation vary for each agreement.

The Small Cities Community Development Block Grant Program Management Manual requires DOH to conduct on-site monitoring to review all grant documentation, financial records, and the facility and/or improvements to verify the project met the stated goals and objectives and complied with federal regulations. When the project is finished, DOH issues a certificate of completion.

DECD Office of Financial Review procedures provide that DECD assist DOH in the closeout of certain housing contracts. At the completion of the projects, recipients submit cost certifications or state or federal audits prepared by a certified public accounting firm. DECD issues a Certificate of Approved Program Cost and State Funding for Home Investment Partnerships, Affordable Housing, and Housing Trust Fund projects. DOH issues a certificate of completion to financially close out the contract for Small Cities Community Development Block Grant projects.

## **Condition**

We judgmentally selected five Small Cities Community Development Block Grant, three Home Investment Partnerships, 12 Affordable Housing and two Housing Trust Fund projects, for which DOH provided \$32,566,164 during the fiscal years 2021, 2022, and 2023. Our review identified the following deficiencies:

- DOH had not performed onsite monitoring or issued a certificate of completion for four Small Cities projects totaling \$4,237,325 ten to 25 months after their budget expiration dates.
- DOH did not issue a monitoring letter or certificate of approved program cost and state funding until 24 months after performing the monitoring for one \$2,568,615 Housing Trust Fund project. We also noted that DOH had not closed out five Housing Trust Fund projects totaling \$8,086,251 ten months to 14 years after their budget expiration dates.
- DOH made a \$2,922,121 payment outside of the approved budget period for one Affordable Housing project.

- DOH did not obtain 19 quarterly monitoring reports for five Affordable Housing projects and two for one Home Investment Partnerships project.
- DOH did not promptly obtain 14 quarterly progress reports for two Affordable Housing projects. The reports were 18 days to two years and four months late.
- DOH did not obtain the cost certification and independent auditor's report for one Home Investment Partnerships and three Affordable Housing recipients.
- DOH did not obtain information detailing the good-faith efforts to comply with the department's Set-Aside for Minority Business policy prior to the expiration of the budget period for one Home Investment Partnerships and seven Affordable Housing projects.
- DOH did not monitor or complete a monitoring checklist for three Affordable Housing projects.
- DOH did not promptly issue monitoring letters for one Home Investment Partnerships and four Affordable Housing projects.
- DOH did not promptly perform the financial closeout for one Home Investment Partnerships project.
- DOH did not perform the financial closeout and certificate of approved program costs and state funding for four Affordable Housing projects.
- DOH did not promptly close out the project or obtain a certificate of approved program costs and state funding for one Affordable Housing project. The department performed the close out a year and 12 days late.

In addition, we reviewed four judgmentally selected Homelessness Prevention and Response Fund payments totaling \$7,261,188, as well as reporting requirements. Our review identified the following deficiencies:

- DOH did not obtain two semi-annual reports from its contractor. In addition, DOH did not obtain four semi-annual reports until after our audit inquiry. The reports were between one year and nine months and three years and ten months late.
- DOH disbursed \$4,520,000 to its contractor prior to the full execution of funding agreements for six projects. DOH had not fully executed the funding agreements at the time of our

review, even though it disbursed funds between seven months and two years earlier. In addition, one of these projects, budgeted for \$1,000,000, fell through and DOH did not request the funds from the contractor.

During our review we also noted that DOH disbursed an additional \$646,401 outside of our audited period to its contractor prior to the full execution of a funding agreement.

<b>Context</b>	DOH paid \$38,409,997 for the Small Cities Community Development Block Grant, \$45,557,342 for Home Investment Partnerships, \$155,674,395 for the Affordable Housing program, \$45,428,102 for the Housing Trust Fund, and \$7,261,188 for the Homelessness Prevention and Response program during the fiscal years 2021, 2022, and 2023.
<b>Effect</b>	There is increased risk that the department made improper payments and funded ineligible project costs. In addition, the department may not identify excess disbursements and ensure their prompt return.
<b>Cause</b>	<p>There was a lack of management oversight and monitoring. DOH had reduced staffing levels from 2018 to 2023. DOH informed us it is in the process of hiring additional staff.</p> <p>The department lacks a policy stipulating a deadline for completing monitoring and issuing monitoring letters and certificates of completion.</p>
<b>Prior Audit Finding</b>	This finding has been previously reported in the last three DOH audit reports covering the fiscal years 2014 through 2017. In addition, prior to the establishment of DOH on July 1, 2013, the finding was reported in two DECD audit reports dating back to fiscal year 2011.
<b>Recommendation</b>	<p>The Department of Housing should strengthen internal controls to ensure that it performs a complete review of all projects from application until closeout. The department should only disburse funds during approved budget periods in accordance with personal service agreements.</p> <p>The department should adopt policies stipulating deadlines for completing monitoring and issuing monitoring letters and certificates of completion.</p>
<b>Agency Response</b>	"We agree with this finding."

## Finding 3

# Rental Assistance Program – Inadequate Program Monitoring

### Background

The statewide Rental Assistance Program (RAP), administered by DOH and its contracted vendor, is the major state-supported program assisting low-income families in affording decent, safe, and sanitary housing. A family issued a RAP certificate is responsible for finding a suitable housing unit of the family's choice where the owner agrees to rent under the program. Rental units must meet minimum quality and safety standards. The vendor pays a housing subsidy directly to the landlord on behalf of the participating family.

DOH and its vendor are considered the housing authority for the program.

### Criteria

Adequate internal controls include properly monitoring that contracted vendors are using state funds for their intended purpose and ensuring the accuracy of programmatic and financial reporting.

The contract between DOH and its vendor provides for the submission of various financial and programmatic reports. In addition, it states that whenever DOH's review of the contractor's financial reports and program operations determines that the total paid under the contract exceeds the total expenses of the program, the contractor must return the unexpended funds to DOH.

To provide adequate accountability, DOH should regularly reconcile the amount of funding advanced to its contractor's disbursed assistance payments.

The DOH RAP administrative plan requires the housing authority to periodically review the utility allowance schedule. If the review finds a 10% or greater utility rate change since the last revision of the utility allowance schedule, the schedule must be revised to reflect the new rate.

### Condition

Our review of DOH's monitoring of RAP disclosed the following:

- DOH is not regularly reconciling its contractor's funding to the disbursed assistance payments. In addition, DOH did not verify the accuracy of its contractor's monthly payment requests.
- DOH did not review its contractor's financial and programmatic reports.

- DOH did not identify unexpended funds and request the contractor to return them.
- DOH did not verify the accuracy of its contractor’s fraud recoveries.
- The housing authority has not updated the utility allowance schedule since 2012.

**Context**

During the fiscal years 2021, 2022, and 2023, DOH paid \$201,536,898 for RAP assistance.

During the fiscal years 2021, 2022, and 2023, unexpended funds totaled \$4,016,974, \$4,003,203, and \$4,428,441, respectively, and fraud recoveries totaled \$77,355, \$163,012, and \$25,321, respectively.

**Effect**

DOH has reduced accountability over program funds.

There is increased risk that the department's utility payments do not reflect current rates.

**Cause**

There was a lack of management oversight and monitoring. DOH is establishing an oversight unit to monitor RAP.

**Prior Audit Finding**

This finding has been previously reported in part in the last three audit reports covering the fiscal years 2014 through 2020.

**Recommendation**

The Department of Housing should strengthen internal controls and properly monitor its contractor to ensure accountability over Rental Assistance Program funds. In addition, the department should ensure that the utility allowance schedule reflects current rates in accordance with its administrative plan.

**Agency Response**

“We agree with this finding in part. DOH partially agrees with the conditions stated in the finding. We disagree with the condition in the finding related to not updating the utility allowance since 2012. Although the utility allowance has not changed, that was a DOH management decision, as increasing the utility allowance would have the effect of decreasing the allowable rent that a tenant utilizes in their community. DOH has determined that having the ability to find a unit at a higher rent level is a greater priority than modifying the utility allowances. DOH will forward a copy of its approval of the utility allowance.”

**Auditors' Concluding Comments**

DOH should comply with its administrative plan regarding updating the utility allowance schedule or amend the administrative plan to reflect its current practices.

## **Finding 4**

# Lack of Accountability over Complaints

<b>Criteria</b>	State agencies should maintain a centralized system for documenting the receipt and processing of complaints to provide accountability and promote transparency.
<b>Condition</b>	DOH does not maintain records of its complaints and investigations that documents how it investigated and resolved them.
<b>Context</b>	Adequate recordkeeping is essential to maintaining the level of transparency to ensure public confidence in the propriety of government operations.
<b>Effect</b>	There is increased risk that DOH may not promptly and appropriately resolve its complaints. In addition, management cannot monitor the number or types of complaints.
<b>Cause</b>	DOH has not acknowledged the importance of improving internal control over its complaints.
<b>Prior Audit Finding</b>	This finding has been previously reported in the last audit report covering the fiscal years 2018 through 2020.
<b>Recommendation</b>	The Department of Housing should strengthen internal controls and develop and implement complaint processing procedures. They should include a centralized system to track complaints and document their resolution.
<b>Agency Response</b>	"DOH agrees with this finding. The Agency will work closely with upper management to establish a policy and procedures and put a system in place to track and monitor internal and external complaints."

## Finding 5

# Predevelopment Loan Program – Cost Certifications

### Background

The Predevelopment Loan program is directed to housing developers seeking assistance with predevelopment costs incurred in connection with the construction, rehabilitation, or redevelopment of low and moderate-income housing. Predevelopment costs are expenses that are not administrative and are necessary before the project's construction stage. Proposed projects to be supported with these predevelopment funds must be eligible for DOH financial assistance.

### Criteria

Assistance agreements between DOH and Predevelopment Loan program recipients provide that, if the borrower is not subject to a federal and/or state single audit, it shall be subject to a cost certification and an independent auditor's report at such time as required by DOH. An independent public accountant completes the applicable cost certification and independent auditor's report. The department uses the cost certification to close out the project and determine that funds were properly used.

### Condition

Predevelopment assistance agreements do not include deadlines for submitting a cost certification.

### Context

DOH paid \$1,262,981 for predevelopment projects during the fiscal years 2021, 2022, and 2023.

### Effect

The department's ability to close out a project and determine whether the recipient used funds properly is impaired if the recipient does not promptly submit its cost certification.

### Cause

DOH has not prioritized developing deadlines for recipients to submit cost certifications for predevelopment projects.

### Prior Audit Finding

This finding has been previously reported in the last audit report covering the fiscal years 2018 through 2020.

### Recommendation

The Department of Housing should add a deadline to its Predevelopment Loan program assistance agreements for contractors to submit cost certifications to allow for timely project closeouts.

### Agency Response

"We agree with this finding. DOH agrees with the finding and will be working with internal legal counsel to take corrective action to update its program documents."

## Finding 6

# Lack of Monitoring of Unused Bond Allocations

### Background

The Department of Housing finances a variety of housing and community development projects using state bond funds approved by the State Bond Commission. The State Bond Commission requires agencies to return all unused balances from prior approvals to the unallotted balance under the fund and section of origin once a project is completed or cancelled.

DOH has a memorandum of understanding with DECD regarding the sharing of administrative functions and resources. Under the agreement, DECD performs financial and administrative functions for DOH.

### Criteria

Written policies and procedures for bond-funded projects should include procedures to monitor unexpended balances from completed or cancelled projects.

### Condition

DOH did not have current tracking spreadsheets for the Affordable Housing and Housing Trust Fund programs. DOH did not rescind \$264,967 in unexpended funding for four Housing Trust Fund contracts that expired between nine and 15 years ago. We also noted DOH did not rescind \$19,440 in unexpended funding for two Affordable Housing contracts that expired three years ago.

### Context

DOH expended \$201,102,497 under the Affordable Housing and Housing Trust Fund programs during the fiscal years 2021, 2022, and 2023.

### Effect

DOH has reduced assurance that it promptly returned unused bond funds to their original funding source.

### Cause

There was a lack of management oversight.

### Prior Audit Finding

This finding has been previously reported in the last three DOH audit reports covering the fiscal years 2014 through 2017. In addition, prior to the establishment of DOH on July 1, 2013, the finding was reported in five DECD audit reports dating back to fiscal year 2005.

### Recommendation

The Department of Housing should properly track unexpended balances from completed or cancelled bond-funded projects.

### Agency Response

"We agree with this finding in part. Tracking spreadsheets for Affordable Housing (Flex) and Housing Trust Fund (HTF) have been

updated in recent years. The de-allotment process for the unexpended funds was initiated; however, it was not completed due to staffing constraints. The de-allotment process for the unexpended balances has now been completed.”

## Finding 7

# Late Postings of Deposits

<b>Criteria</b>	The State Accounting Manual requires agencies to complete the confirmation and journalizing of bank deposits by the end of the day that they receive the deposit information through the Core-CT system. Each agency is required to post deposits in Core-CT same day the confirmation process is complete or no later than four business days from the accounting of the deposit for problematic deposits with unresolved bank issues.
<b>Condition</b>	Our review of 25 judgmentally selected cash receipt transactions, totaling \$29,912,747, disclosed that DOH posted 12 deposits, totaling \$10,680,451, between one and 18 days late.
<b>Context</b>	DOH made 627 deposits totaling \$515,205,060 during the tested period of July 1, 2021 to February 2, 2023. DOH had waivers from the Office of the State Treasurer to allow additional days for deposit coding in Core-CT for the remainder of the audited period.
<b>Effect</b>	DOH did not comply with requirements concerning the prompt posting of bank deposit information. This could have delayed the detection of bank deposit recording errors.
<b>Cause</b>	Administrative controls over deposits were inadequate.
<b>Prior Audit Finding</b>	This finding has been previously reported in the last three DOH audit reports covering the fiscal years 2014 through 2020. In addition, prior to the establishment of DOH on July 1, 2013, the finding was reported in three DECD audit reports dating back to fiscal year 2009.
<b>Recommendation</b>	The Department of Housing should strengthen internal controls to ensure that it promptly posts deposits in Core-CT.
<b>Agency Response</b>	“We agree with this finding in part. Bank deposits are made within 24 hours of receipt. However, the complexity of our business receivables may require additional time for research to determine the correct Core-CT coding. DOH had a permanent waiver in place prior to 2019 for several years. The new process is to request a

waiver for additional processing time every year. DOH will be more timely in requesting the waiver. Additionally, DOH will implement a process to timely code pending receipts until correct coding is identified.”

## **Finding 8**

# **Inaccurate Interest Calculations**

### **Background**

The Department of Housing has a memorandum of understanding with the Department of Economic and Community Development (DECD) regarding the sharing of administrative functions and resources. Under the agreement, DECD performs financial and administrative functions for DOH.

DOH administers a number of financial assistance programs that promote the development, redevelopment, and preservation of housing for low and moderate-income families. DOH assistance agreements and promissory notes with recipients stipulate the terms and conditions of the assistance, including the rate and method for calculating interest. DECD enters loans executed by DOH into its loan management system, which automatically generates invoices detailing principal and interest amounts due.

Each year, DOH reports its June 30th receivable balances to the State Comptroller, including loan interest and late fee receivables, based on reports from the loan management system. The State Comptroller includes reported amounts in the state’s Annual Comprehensive Financial Report.

### **Criteria**

The State Accounting Manual establishes policies and procedures for all state agencies in the management and collection of receivables. Accounts receivable records, including those related to interest and penalties assessed against individuals and organizations, should be accurate, complete, and properly maintained.

Good business practice dictates that agencies accrue and bill interest to borrowers properly and in accordance with agreed-upon contractual arrangements.

### **Condition**

We reviewed 15 reported receivables totaling \$4,253,159 and noted that DECD did not accrue interest in accordance with promissory note terms for seven DOH loans during the tested fiscal year. As a result, DOH overstated interest receivables by \$305.

<b>Context</b>	DOH reported receivables for interest and late fees for state loans of \$24,300,076, \$29,232,654, and \$33,955,484 for the fiscal years 2021, 2022, and 2023, respectively. We judgmentally selected ten receivables as of June 30, 2023 to review.
	DOH reported receivables for interest and late fees for federal loans of \$37,919,458, \$40,795,220, and \$43,576,517 for the fiscal years 2021, 2022, and 2023, respectively. We judgmentally selected five receivables as of June 30, 2023 to review.
<b>Effect</b>	DOH may not receive the proper amount of interest payments from loan recipients. In addition, DECD reported inaccurate interest receivable amounts to the State Comptroller.
<b>Cause</b>	DECD incorrectly set up the interest calculation terms and used incorrect dates in the loan management system.
<b>Prior Audit Finding</b>	This finding has been previously reported in the last three DOH audit reports covering the fiscal years 2014 through 2017. In addition, prior to the establishment of DOH on July 1, 2013, the finding was reported in the DECD audit report covering fiscal year 2013.
<b>Recommendation</b>	The Department of Housing should strengthen internal controls to ensure that it calculates loan interest in accordance with financial assistance agreements.
<b>Agency Response</b>	"We agree with this finding. The loans in question were set up prior to DECD implementation of a loan checklist and supervisory review process, which summarizes interest calculation terms in accordance with financial assistance agreements. This process has vastly improved loan set-up accuracy."

## Finding 9

# Erroneous Loan Receivable Balances

<b>Background</b>	<p>The Department of Housing has a memorandum of understanding with the Department of Economic and Community Development (DECD) regarding the sharing of administrative functions and resources. Under the agreement, DECD performs financial and administrative functions for DOH.</p> <p>DOH administers a number of financial assistance programs that promote the development, redevelopment, and preservation of housing for low and moderate-income families. DOH assistance agreements and mortgage notes with recipients stipulate the terms</p>
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and conditions of the assistance, including the rate and method for calculating interest. DECD enters loans executed by DOH into its loan management system, which automatically generates invoices detailing principal and interest amounts due.

## **Criteria**

The State Accounting Manual establishes policies and procedures for all state agencies in the management and collection of receivables. Accounts receivable records, including loans receivable, should be accurate, complete, and maintained in a manner to indicate how long the debt has been outstanding.

The Office of the State Comptroller requires all state agencies to report accurate accounts receivable balances as of June 30th, including the amount of receivables estimated to be uncollectible. The State Comptroller includes reported amounts in the state's Annual Comprehensive Financial Report. DECD prepares and submits accounts receivable balances for DOH.

DOH policy is to classify loans as uncollectible if it has not received any payments within a year unless the loan is being modified.

An adequate system of internal controls should include annual reconciliations of beginning balances, activity, and ending balances. Reconciliations should identify any errors or improper entries made to receivable balances so that agencies make corrections and reporting is accurate.

Agencies reporting loan receivables administered by third-party lending partners should ensure that reported amounts reflect loan receivable balances reported by the servicer.

## **Condition**

Our review of DOH receivable balances disclosed the following:

- DECD understated DOH's estimate of uncollectible loan receivables reported to the Office of the State Comptroller by \$5,982,962 for fiscal year 2022.
- DECD did not prepare a reconciliation of receivable balances for the DOH Energy Conservation Loan Program to amounts reported by the lending partner. The DECD loan management system presented a receivable balance of \$5,510,082 as of June 30, 2023. However, the lending partner reported a receivable balance of \$3,680,436, a difference of \$1,829,646.
- DECD did not properly reconcile receivable balances for the DOH Shoreline Resiliency Loan Fund to the amounts reported by the lending partner. The DECD loan management system presented a receivable balance of \$252,519 as of June 30, 2023. However, the lending partner

reported a receivable balance of \$319,673, a difference of \$67,154.

**Context** DOH reported loan receivables of \$562,312,247, \$422,727,581, and \$633,239,912 for fiscal years 2021, 2022, and 2023, respectively.

DOH reported uncollectible receivables of \$5,568,194, \$6,359,060, and \$8,377,672 for fiscal years 2021, 2022, and 2023, respectively.

**Effect** DOH is not properly accounting for or reporting loan balances. As a result, there could be inaccurate financial disclosures in the state's financial statements.

**Cause** There was a lack of management oversight. In addition, DECD has not devoted sufficient time to reconcile principal balances to amounts reported by lending partners.

**Prior Audit Finding** This finding has been previously reported in the last three audit reports covering the fiscal years 2014 through 2020. In addition, prior to the establishment of DOH on July 1, 2013, the finding was reported in four DECD audit reports dating back to fiscal year 2007.

**Recommendation** The Department of Housing should strengthen internal controls to ensure that receivable balances are accurate and properly reported to the Office of the State Comptroller. In addition, the department should perform reconciliations of receivable balances to amounts reported by the lending partners.

**Agency Response** "We agree with this finding. DECD prepares monthly ECL loan deposit reconciliations. The Lending Partner has released from service loans in the amount of \$1,736,209.43. DECD has not written off this balance as it continues collection activities. DECD prepares monthly Shoreline Resiliency Loan Fund receivables reconciliation reports and can identify and address current differences. An analysis is being performed to identify the \$67,154 difference."

## Finding 10

### Lack of Records Retention Schedule

**Background** Effective July 1, 2013, Section 8-37r(b) of the General Statutes transferred various functions, powers, and duties related to housing from the Department of Economic and Community Development (DECD) to the newly created Department of Housing.

<b>Criteria</b>	Section 11-8a(b) of the General Statutes provides that the State Librarian may require each such state agency to submit retention schedules for all such books, records, papers, and documents for approval or may establish such retention schedules, based on the administrative need of retaining such information within agency offices or suitable records centers.
<b>Condition</b>	DOH has not developed a records retention schedule and continues to use the DECD records retention schedule.
<b>Context</b>	DOH administers numerous programs involving significant federal and state funding.
<b>Effect</b>	Without records retention schedules specific to housing programs, DOH lacks clear retention requirements.
<b>Cause</b>	The department informed us that it has not prioritized developing a records retention schedule.
<b>Prior Audit Finding</b>	This finding has been previously reported in the last audit report covering the fiscal years 2018 through 2020.
<b>Recommendation</b>	The Department of Housing should create a records retention schedule that addresses issues specific to housing programs.
<b>Agency Response</b>	"We agree with this finding. DECD has communicated to DOH that they need to create their own retention schedule. DECD notified DOH that we would be revising and updating our schedule in 2016-2017."

## Finding 11

# Lack of Employee Performance Appraisals

<b>Criteria</b>	The Performance Assessment and Recognition System (PARS) is a program developed by the Department of Administrative Services (DAS) to support additional incentive compensation for managerial and confidential employees who work in agencies that use a prescribed PARS plan. Basic features of the program include developing results-oriented, measurable performance objectives and goals for each manager and confidential employee. In addition, the program promotes regular communication between these employees and their supervisors on meeting goals, performance assessments, and provides a basis for differentiating among
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performance levels, thereby serving as a basis for annual salary increases.

Collective bargaining agreements provide that all employees shall receive an annual evaluation three months prior to their anniversary date.

**Condition**

Our review of seven managers and 23 employees that were judgmentally selected disclosed that DOH did not complete annual performance evaluations for seven managers and four employees.

**Context**

During fiscal year 2021, DOH had four managers and 30 employees who needed annual evaluations. During fiscal year 2022, DOH had seven managers and 30 employees that needed annual evaluations and during fiscal year 2023, DOH had nine managers and 33 employees that needed annual evaluations.

**Effect**

The absence of written performance evaluations significantly diminishes the department’s ability to measure the performance and progress of its staff.

**Cause**

The department lacked adequate administrative controls over performance evaluations.

**Prior Audit Finding**

This finding has been previously reported in the last three audit reports covering the fiscal years 2014 through 2020.

**Recommendation**

The Department of Housing should strengthen internal controls to ensure that it performs annual evaluations for all managers and employees.

**Agency Response**

“We agree with this finding. DOH management is mindful of the importance of performing annual performance appraisals and will make every effort to ensure performance reviews are performed and completed annually for all DOH staff going forward.”

## Finding 12

# Inadequate Controls over Compensatory Time

**Criteria**

Collective bargaining agreements permit agency employees to earn compensatory time with prior supervisory approval.

<b>Condition</b>	Our review of 387 hours of compensatory time earned by five judgmentally selected employees during the fiscal years 2021, 2022, and 2023 disclosed that DOH did not preapprove 257 hours of compensatory time for all five employees.
<b>Context</b>	During the audited period, 15 employees earned 973 hours of compensatory time.
<b>Effect</b>	There is reduced assurance that DOH properly authorized all compensatory time.
<b>Cause</b>	Controls over time and attendance are inadequate.
<b>Prior Audit Finding</b>	This finding has been previously reported in the last audit report covering the fiscal years 2018 through 2020.
<b>Recommendation</b>	The Department of Housing should strengthen internal controls over compensatory time to ensure compliance with collective bargaining agreements.
<b>Agency Response</b>	"We agree with this finding. It appears that this was an isolated incident; however, all managerial/supervisory staff have been reminded of their obligations associated with requests for compensatory time, the proper sign-off process for the earning of compensatory time, and the appropriate use of compensatory time."

## Finding 13

# Inadequate Controls over Asset Management

<b>Background</b>	The Department of Housing has a memorandum of understanding with DECD regarding the sharing of administrative functions and resources. Under the agreement, DECD performs administrative functions for DOH, including maintaining its property control system and submitting annual inventory reports.
<b>Criteria</b>	The State of Connecticut Property Control Manual provides that property records should be complete and accurate and should contain sufficient information to adequately track and report items. At a minimum, this information should include item description, cost, tag number, and location.

**Condition**

We judgmentally selected 29 items totaling \$38,253, from DOH's inventory records and 15 items totaling \$16,039, during a physical inspection of DOH's assets to verify that the department properly included the items in its inventory records. Our review disclosed the following:

- We could not find 14 items totaling \$13,497 in the location indicated in the inventory records.
- One \$2,599 item did not have the correct tag number listed in the inventory records.
- DOH recorded one item twice in the inventory records.

During our review, we also noted that three assets listed in the inventory records did not contain a cost.

**Context**

As of January 2024, the DOH inventory had 272 assets totaling \$350,232.

**Effect**

If DOH does not maintain accurate inventory records, there is an increased risk that inventory can be lost or stolen and go undetected. It will also lead to the Office of State Comptroller reporting inaccurate asset information in the state's Annual Comprehensive Financial Report.

**Cause**

DECD is responsible for maintaining the DOH property control system. DECD has not made a sufficient effort to maintain accurate DOH inventory records in accordance with the State of Connecticut Property Control Manual.

**Prior Audit Finding**

This finding has been previously reported in the last three DOH audit reports covering the fiscal years 2014 through 2020. In addition, prior to the establishment of DOH, the finding was reported in two DECD audit reports dating back to fiscal year 2011.

**Recommendation**

The Department of Housing should improve internal controls over asset management and maintain its property control system in accordance with the State Property Control Manual.

**Agency Response**

"We agree with this finding. DOH inventory scanners located and confirmed the items were present when completing the FY inventory. The duplicate asset will be removed from Core-CT. At the time the three assets with no cost were added in Core-CT, the asset processors did not add the assets at the time of purchase, thus not linking the cost. This process has been corrected so assets are properly linked to the purchases to properly record the cost. DOH will identify the original cost of the items and add the cost information."

## **Finding 14**

# **Inaccurate Generally Accepted Accounting Principles (GAAP) Forms**

### **Background**

The Department of Housing has a memorandum of understanding with the Department of Economic and Community Development (DECD) regarding the sharing of administrative functions and resources. Under the agreement, DECD performs financial and administrative functions for DOH.

### **Criteria**

The Office of the State Comptroller requires state agencies to annually prepare and submit generally accepted accounting principles (GAAP) closing packages. Agency submissions contain financial information not available on the state's Core-CT accounting system. The Office of the State Comptroller uses this information to prepare the state's financial statements. The State Accounting Manual and the State Comptroller's GAAP closing and reporting instructions stipulate the procedures for completing GAAP reporting forms. The State Comptroller includes reported amounts in the state's Annual Comprehensive Financial Report.

### **Condition**

We reviewed DOH's GAAP form submissions for fiscal years 2021, 2022, and 2023. We noted the following:

- DOH understated its insured bank balance by \$18,541,873 and contractual obligations by \$7,038,221 for fiscal year 2021.
- DOH understated contractual obligations by \$41,394,918 for fiscal year 2022.
- DOH overstated its grant receivables by \$6,108,142 and contractual obligations by \$906,233 for fiscal year 2023.

### **Context**

DOH reported a \$250,000 insured bank balance for fiscal year 2021. In addition, DOH reported contractual obligations of \$380,663,053, \$345,648,930, and \$376,106,520 for fiscal years 2021, 2022, and 2023, respectively. DOH also reported grants receivable of \$51,653,361 for fiscal year 2023.

### **Effect**

Inaccurate reported balances increase the risk that the Office of the State Comptroller may report inaccurate information in the state's Annual Comprehensive Financial Report.

<b>Cause</b>	DECD staff prepare some amounts reported in the GAAP closing package. The errors noted were due to a lack of administrative oversight and the departments' misunderstanding of the Office of the State Comptroller's reporting instructions.
<b>Prior Audit Finding</b>	This finding has been previously reported in the last audit report covering the fiscal years 2018 through 2020.
<b>Recommendation</b>	The Department of Housing should strengthen internal controls to ensure GAAP forms are complete and accurate in accordance with the requirements of the Office of the State Comptroller.
<b>Agency Response</b>	"We agree with this finding. A new reporting review process will be implemented along with additional staff training."

## Finding 15

### Inadequate Controls over Reporting

<b>Criteria</b>	<p>Special Act 21-26 required DOH to establish an Open Choice Voucher pilot program by June 15, 2022. The act required DOH to designate 20 rental assistance program certificates over a period of two years for use by low-income families participating in the interdistrict public school attendance program that would like to move to the town where their child attends school.</p> <p>DOH was required to submit an interim report on the program to the joint standing committees of the General Assembly having cognizance of matters relating to housing and education on or before August 31, 2022 and a final report on or before August 31, 2023.</p>
<b>Condition</b>	Our review of 14 statutorily required reports disclosed that DOH did not submit interim and final Open Choice Voucher pilot program reports.
<b>Context</b>	DOH expended \$36,042 on the Open Choice Voucher pilot program in fiscal year 2023. DOH was responsible for submitting 14 statutorily required reports during the audited period. We reviewed all 14 reports.
<b>Effect</b>	DOH did not provide the General Assembly with the information it needs to make informed decisions regarding the Open Choice Voucher pilot program.

<b>Cause</b>	DOH informed us that it was not aware of the reporting requirements of Special Act 21-26.
<b>Prior Audit Finding</b>	This finding has not been previously reported.
<b>Recommendation</b>	The Department of Housing should report on the Open Choice Voucher pilot program to the General Assembly as required by Special Act 21-26.
<b>Agency Response</b>	"We agree with this finding. The report was not submitted in accordance with the legislation listed."

# STATUS OF PRIOR AUDIT RECOMMENDATIONS

Our [prior audit report](#) on the Department of Housing contained 20 recommendations. Seven have been implemented or otherwise resolved and 13 have been repeated or restated with modifications during the current audit.

Prior Recommendation	Current Status
<p>The Department of Housing should ensure that it performs a complete review of all projects from application until project closeout and only disburse funds during approved budget periods. The department should retain all supporting documentation in accordance with the State Librarian’s records retention requirements and ensure that recipients follow assistance agreement requirements.</p> <p>The department should adopt policies stipulating deadlines for completing monitoring and issuing monitoring letters and certificates of completion.</p>	<p><b>REPEATED</b> <b>Modified Form</b></p> <p>Recommendation 2</p>
<p>The Department of Housing and its Rental Assistance Program vendor should ensure that they promptly complete reexaminations and properly calculate and support payments. In addition, the department should ensure that the utility allowance schedule reflects current rates.</p>	<p><b>REPEATED</b> <b>Modified Form</b></p> <p>Recommendation 3</p>
<p>The Department of Housing should work with its vendor to correct the underlying issues that cause repeat errors and hold the vendor accountable for reducing error rates. In addition, the department should perform a supervisory quality control review to ensure its vendor is complying with program requirements.</p>	<p><b>RESOLVED</b></p>
<p>For projects it funds, the Department of Housing should develop a system to track developers and contractors and their ability to complete projects on time and without cost overruns. The department should avoid funding projects that involve contractors with a history of not successfully completing projects.</p> <p>The department should develop policies and procedures to provide guidance on its administration of delayed projects to reduce the need for additional funding. In addition, the department should develop policies and procedures on proceeding with projects that lose investor funding.</p>	<p><b>RESOLVED</b></p>

<p style="text-align: center;"><b>Prior Recommendation</b></p>	<p style="text-align: center;"><b>Current Status</b></p>
<p>The Department of Housing should adequately document how a location meets eligibility requirements to be an incentive housing zone and the rationale for the department's approval of the location. The department also should ensure that it obtains required submissions from municipalities.</p>	<p style="text-align: center;"><b>RESOLVED</b></p>
<p>The Department of Housing should add a deadline for contractors to submit cost certifications to its Predevelopment Loan program assistance agreements to allow for timely project closeouts.</p>	<p style="text-align: center;"><b>REPEATED</b></p> <p style="text-align: center;">Recommendation 5</p>
<p>The Department of Housing should establish and implement procedures to monitor the activities of its lending partner that administers and services financial assistance provided under the Energy Conservation Loan Program.</p>	<p style="text-align: center;"><b>RESOLVED</b></p>
<p>The Department of Housing should work with the Department of Economic and Community Development to track unexpended balances from completed or cancelled bond-funded projects.</p>	<p style="text-align: center;"><b>REPEATED</b> <b>Modified Form</b></p> <p style="text-align: center;">Recommendation 6</p>
<p>The Department of Housing should improve its cash management procedures by disbursing funds to grantees only for immediate needs and ensuring that grantees promptly refund any overpayments. The department should change its assistance agreements to require more timely refunds of unexpended state funds. In addition, the department should work with the Department of Economic and Community Development to ensure that it promptly posts deposits.</p>	<p style="text-align: center;"><b>REPEATED</b> <b>Modified Form</b></p> <p style="text-align: center;">Recommendation 7</p>
<p>The Department of Housing should work with the Department of Economic and Community Development to ensure that all travel expenses are necessary, reasonable, and approved prior to travel.</p>	<p style="text-align: center;"><b>RESOLVED</b></p>
<p>The Department of Housing should work with the Department of Economic and Community Development to ensure that loan interest is calculated in accordance with financial assistance agreements.</p>	<p style="text-align: center;"><b>REPEATED</b> <b>Modified Form</b></p> <p style="text-align: center;">Recommendation 8</p>
<p>The Department of Housing should work with the Department of Economic and Community Development to ensure that receivable balances are accurate and properly reported to the Office of the State Comptroller. In addition, the Department of Housing should perform reconciliations of receivable balances to amounts reported by the lending partners.</p>	<p style="text-align: center;"><b>REPEATED</b> <b>Modified Form</b></p> <p style="text-align: center;">Recommendation 9</p>

<p style="text-align: center;"><b>Prior Recommendation</b></p>	<p style="text-align: center;"><b>Current Status</b></p>
<p>The Department of Housing should create a records retention schedule that addresses issues specific to housing programs.</p>	<p style="text-align: center;"><b>REPEATED</b></p> <p style="text-align: center;">Recommendation 10</p>
<p>The Department of Housing should ensure that it performs annual evaluations for all managers and employees.</p>	<p style="text-align: center;"><b>REPEATED</b></p> <p style="text-align: center;">Recommendation 11</p>
<p>The Department of Housing should ensure that it follows time and attendance requirements in collective bargaining agreements.</p>	<p style="text-align: center;"><b>REPEATED</b> <b>Modified Form</b></p> <p style="text-align: center;">Recommendation 12</p>
<p>The Department of Housing should work with the Department of Economic and Community Development to improve internal controls and maintain its property control system in accordance with the State of Connecticut Property Control Manual.</p>	<p style="text-align: center;"><b>REPEATED</b> <b>Modified Form</b></p> <p style="text-align: center;">Recommendation 13</p>
<p>The Department of Housing should work with the Department of Economic and Community Development to ensure that funds are committed prior to purchasing goods and services.</p>	<p style="text-align: center;"><b>RESOLVED</b></p>
<p>The Department of Housing should work with the Department of Economic and Community Development to ensure that all required generally accepted accounting principles' reports are complete and accurate in accordance with the requirements of the Office of the State Comptroller.</p>	<p style="text-align: center;"><b>REPEATED</b> <b>Modified Form</b></p> <p style="text-align: center;">Recommendation 14</p>
<p>The Department of Housing should maintain a centralized log to track complaints and document their resolution.</p>	<p style="text-align: center;"><b>REPEATED</b> <b>Modified Form</b></p> <p style="text-align: center;">Recommendation 4</p>
<p>The Department of Housing should work with the Department of Economic and Community Development to immediately deactivate the Core-CT access of separated employees.</p>	<p style="text-align: center;"><b>RESOLVED</b></p>

# OBJECTIVES, SCOPE, AND METHODOLOGY

We have audited certain operations of the Department of Housing in fulfillment of our duties under Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 2021, 2022, and 2023. The objectives of our audit were to evaluate the:

1. Department's internal controls over significant management and financial functions;
2. Department's compliance with policies and procedures internal to the department or promulgated by other state agencies, as well as certain legal provisions; and
3. Effectiveness, economy, and efficiency of certain management practices and operations, including certain financial transactions.

In planning and conducting our audit, we focused on areas of operations based on assessments of risk and significance. We considered the significant internal controls, compliance requirements, or management practices that in our professional judgment would be important to report users. The areas addressed by the audit included payroll and personnel, purchasing and expenditures, revenue and receipts, accounts receivable, asset management, reporting systems, grants and loans, and records retention. We also determined the status of the findings and recommendations in our prior audit report.

Our methodology included reviewing written policies and procedures, financial records, meeting minutes, and other pertinent documents. We interviewed various personnel of the department and certain external parties. We also tested selected transactions. This testing was not designed to project to a population unless specifically stated. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

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.

The accompanying financial information is presented for informational purposes. We obtained this information from various available sources including the department's management and state information systems. It was not subject to our audit procedures. For the areas audited, we identified

1. Deficiencies in internal controls;
2. Apparent noncompliance with laws, regulations, contracts and grant agreements, policies, or procedures; and

3. A need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations section of this report presents findings arising from our audit of the Department of Housing.

# ABOUT THE AGENCY

## Overview

The [Department of Housing \(DOH\)](#) operates principally under the provisions of Title 8, Chapter 127c of the General Statutes. DOH is the lead state agency on all matters relating to housing and is responsible for advancing strategies and administering programs that promote the development, redevelopment, and preservation of housing for low and moderate-income families, community revitalization, as well as financial and other support for the state's most vulnerable residents. The department's mission is to ensure everyone has access to quality housing opportunities and options throughout the State of Connecticut.

## Organizational Structure

Section 8-37r of the General Statutes provides that DOH shall be within the Department of Economic and Community Development (DECD) for administrative purposes. DOH has a memorandum of understanding with DECD regarding the sharing of administrative functions and resources. Under the agreement, DECD performs recordkeeping, reporting, and related administrative and clerical functions for DOH. Public Act 23-204 (Section 129), effective October 1, 2023, amended Section 8-37r of the General Statutes and established DOH as an independent agency.

The Department of Administrative Services Small Agency Resource Team (SmART) administers the DOH payroll and human resource functions. Seila Mosquera-Bruno was appointed commissioner in March 2019 and continues to serve in that capacity.

## Significant Legislative Changes

Notable legislative changes that took effect during the audited period are presented below:

- **Special Act 21-26**, effective July 12, 2021, directed DOH to establish an Open Choice Voucher pilot program by June 15, 2022. The act required DOH to designate 20 Rental Assistance Program certificates over a period of two years for use by families that qualify as low income under the program, have participated for at least one year in the interdistrict public school attendance program in the Hartford region, and would like to move to the town their child attends school.
- **Public Act 21-120 (Section 3)**, effective July 1, 2021, made the Connecticut Foundation Solutions Indemnity Company, Inc. permanent by eliminating the June 30, 2022, termination date in Section 38a-91vv(i) of the General Statutes. The Department of Housing has certain ongoing administrative responsibilities regarding the operation of this captive insurance company established to assist the State of Connecticut with the fair and equitable adjustment of homeowner claims resulting from the pyrrhotite-affected home foundations natural disaster.
- **Public Act 22-118 (Sections 330, 359, 482)**, effective July 1, 2022, earmarked up to \$20,000,000 in Urban Act bonds for a DOH homeownership initiative for housing construction and redevelopment activities in low-income census tracts. It also directed DOH and the Connecticut Housing Finance Authority to seek a partnership with one or more hospitals in the state to increase health care workforce housing options and authorized up to \$20,000,000 in state bonds to develop the housing and fund the costs associated with the partnership. It eliminated a requirement that families receiving assistance under the DOH Eviction and Foreclosure

Prevention Program participate in the assessment and mediation component of the program. The act increased the maximum amount of rent bank assistance an eligible family may receive during an 18-month period from \$1,200 to \$3,500.

- **Public Act 23-144**, effective October 1, 2023, modified the conditions that a housing authority must meet to dispose of a housing project by permitting it to replace it with owner occupied single or multi-family housing subject to an affordable housing deed restriction.
- **Public Act 23-204 (Section 129)**, effective October 1, 2023, removed the requirement that DOH was within the Department of Economic and Community Development for administrative purposes only.
- **Public Act 23-205 (Sections 66 and 67)**, effective July 1, 2023, expanded the conditions under which DOH may use the Housing Receivership Revolving Loan Fund by eliminating a requirement that the building in receivership have no more than 20 units or be a mobile manufactured home park or a space or lot there and increased the cap on the anticipated per-unit average expense from \$5,000 to \$10,000. The act also increased the fund’s bond authorization from \$300,000 to \$50,300,000 and increased the annual amount that DOH may spend in any single municipality from \$200,000 to \$1,000,000.
- **Public Act 23-205 (Section 159)**, effective July 1, 2023, authorized the use of Healthy Homes Fund resources for grants to remediate structurally deficient foundations of owner-occupied condominium units in Hamden or relocate the owners. The Healthy Homes Fund is a separate nonlapsing General Fund account used primarily to support the Crumbling Foundations Assistance Fund.
- **Public Act 23-207 (Section 9)**, effective July 1, 2023, extended eligibility for the DOH Security Deposit Guarantee Program, which provides a security deposit guarantee that a person may use in place of a security deposit, to any person with a documented financial need whose income is less than 60% of the state median. It also reduced the frequency a person may apply for assistance and allows the department to deny assistance after paying one or more landlord claims.
- **Public Act 23-207 (Section 20)**, effective June 29, 2023, directed DOH to study methods to improve the efficiency of processing applications under the department’s Rental Assistance Program and issue a related report to the General Assembly’s Housing Committee by January 1, 2024.

## Financial Information

### General Fund Receipts

A summary of General Fund receipts during the audited period follows:

	<b>Fiscal Year Ended June 30,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Utility Subsidy Income	\$ 381,218	\$ 642,631	\$ 262,644
Refunds of Expenditures	136,540	203,750	631,436
All Other	6,175	21,024	600
<b>Total</b>	<b>\$ 523,933</b>	<b>\$ 867,405</b>	<b>\$ 894,680</b>

General fund receipts consisted primarily of utility subsidy income and refunds of expenditures. This income consisted of funds received by utility companies to help subsidize the state’s cost of administering the Energy Conservation Loan Program.

Refunds of expenditures consisted primarily of grant refunds. When a grant recipient does not spend all funds received for a project, the recipient must return excess funds to the state. DOH informed us that the increase in refunds in fiscal year 2023 was due to decreased demand for funds following the Covid-19 pandemic.

### General Fund Expenditures

A summary of General Fund expenditures during the audited period follows:

	<b>Fiscal Year Ended June 30,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Personal Services	\$ 1,750,005	\$ 1,545,349	\$ 1,926,129
Housing/Homeless Services	83,758,929	81,075,444	92,090,297
Congregate Facilities Operating Cost	7,189,480	7,189,480	9,814,480
Assisted Living Demonstration	2,678,000	2,636,000	2,703,000
Elderly Congregate Rent Subsidy	1,911,453	1,753,021	1,935,626
Homeless Youth	2,234,904	2,673,256	3,030,729
Elderly Rental Assistance	1,011,170	1,011,170	980,870
Other Expenditures	164,067	312,069	214,106
<b>Total</b>	<b>\$ 100,698,008</b>	<b>\$ 98,195,789</b>	<b>\$ 112,695,237</b>

General Fund expenditures consisted mainly of state aid grants for housing and homeless services. These expenditures were primarily made through the Rental Assistance Program, the major state-funded program for assisting very low-income families to afford decent, safe, and sanitary housing in the private market.

Although funding for housing and homeless services increased only slightly during the audited period, DOH did not fully utilize the available funding during the fiscal year 2021 and 2022. In fiscal years 2021 and 2022, DOH only expended \$83,758,929 and \$81,075,444 of the \$89,460,361 and \$91,462,581 available during those respective years. However, in fiscal year 2023 DOH expended most of the \$93,547,148 available.

### Special Revenue Funds

A summary of receipts from special revenue funds during the audited period follows:

	<b>Fiscal Year Ended June 30,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Federal Contributions	\$ 312,579,605	\$ 424,001,547	\$ 193,821,477
Restricted Contributions, Other	31,229,887	33,875,684	21,943,599
Principal and Interest on Loans	2,315,169	2,215,431	2,270,919
All Other	4,122,364	4,052,539	2,864,559
<b>Total</b>	<b>\$ 350,247,025</b>	<b>\$ 464,145,201</b>	<b>\$ 220,900,554</b>

Changes in special revenue funds were primarily attributed to fluctuations in federal contributions under the Emergency Rental Assistance Program and the Homeowner Assistance Fund due to the coronavirus pandemic.

DOH used the Emergency Rental Assistance Program funding to support housing stability for eligible renters throughout the Covid-19 pandemic. The program provided assistance to eligible households that had difficulty making timely rent and utility payments. DOH used the Homeowner Assistance Fund to make direct payments to qualifying homeowners to mitigate financial hardships associated with the pandemic.

A summary of expenditures from special revenue funds during the audited period follows:

	<b>Fiscal Year Ended June 30,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Federal Restricted Accounts:</b>			
Section 8 Housing Choice Vouchers	\$ 94,320,256	\$ 98,588,742	\$ 110,247,209
Hurricane Sandy CDBG-DR	11,065,584	5,100,303	3,084,548
Community Development Block Grants	16,119,308	10,477,592	11,813,098
Social Services Block Grant	7,153,779	6,259,581	6,543,183
Section 8 Housing Assistance Payments	2,375,624	593,906	468,385
Home Investment Partnerships	9,852,578	21,246,400	14,458,364
Emergency Solutions Grants	11,945,769	11,086,663	3,385,353
National Disaster Resilience Competition	3,049,622	3,803,321	2,968,456
Mainstream	2,291,852	3,841,929	4,869,837
Continuum of Care Program	8,149,469	8,675,610	12,385,072
Lead Hazard Reduction Demonstration	876,403	1,290,725	2,198,369
Disaster Grants	10,718,216	17,239,848	8,622,445
Coronavirus Relief Fund	28,363,727	1,498,557	(28,507)
Homeowner Assistance Fund		123,136,792	(1,000)
Coronavirus State and Local Fiscal Recovery Funds		105,555	6,087,809
Emergency Rental Assistance	51,491,144	302,921,875	40,542,784
Housing Trust Fund	4,283,374	7,897,441	8,145,954
Other Federal Restricted	1,299,036	1,049,118	1,540,704
Total Federal Restricted:	263,355,741	624,813,958	237,332,063
<b>Other Restricted Accounts:</b>			
Community Investment Act	2,340,528	2,749,659	5,888,365
DOH Supportive Housing	5,950,000	5,950,000	5,950,000
Crumbling Foundations Assistance	10,580,618	12,434,721	
Healthy Homes	10,602,093	12,458,727	734,226
Other Restricted	690,702	731,523	1,172,035
Total Other Restricted:	30,163,941	34,324,630	13,744,626
<b>Other Special Revenue Funds:</b>			
Housing Trust Fund	5,649,302	4,322,742	35,456,059
Housing Assistance Fund	76,308,871	42,779,307	31,570,778
Housing Loan Fund	2,627,559	2,718,695	919,583
Economic Development Fund	157,867	125,601	101,993
STEAP-Grants to Local Governments	27,690,205	29,437,116	28,696,822
Homelessness Prevention	2,480,000	4,781,187	
Other Special Revenue Funds	798,386	848,371	840,311
Total Other Special Revenue Funds:	115,712,190	85,013,019	97,585,546
<b>Total</b>	<b>\$ 409,231,872</b>	<b>\$ 744,151,607</b>	<b>\$ 348,662,235</b>

Special revenue fund expenditures consisted mainly of grants and loans. DOH administers a number of financial assistance programs to create affordable housing for low and moderate-income families.

As with the changes in special revenue fund receipts, the changes in special revenue fund expenditures were primarily attributable to fluctuations in federal contributions under the Emergency Rental Assistance Program and the Homeowner Assistance Fund due to the pandemic. There were also significant fluctuations in state funded Housing Trust Fund and Housing Assistance Fund expenditures. These fluctuations were primarily due to the timing of construction or rehabilitation projects.

### **Non-Capital Improvement Funds**

Total expenditures from non-capital improvement funds were \$6,786,841, \$234,717, and \$675,000 during the fiscal years 2021, 2022, and 2023, respectively. They consisted of Urban Act grant expenditures. Urban Act program funds are authorized by the State Bond Commission for redirecting, improving, and expanding state activities, which promote conservation and development, and improve the quality of life for urban residents of the state.