



CALIFORNIA STATE AUDITOR

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FACT SHEET

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Report: **2007-037**

The California State Auditor released the following report today: Department of Housing and Community Development

Awards of Housing Bond Funds Have Been Timely and Complied With the Law, but Monitoring of the Use of Funds Has Been Inconsistent

BACKGROUND

In an effort to aid low- to moderate-income and homeless populations in securing housing and shelter, the Legislature proposed and voters approved, in November 2002 and 2006, nearly \$5 billion in housing bonds—Housing and Emergency Shelter Trust Fund Act bonds. These bond funds provide for the development of affordable rental housing, emergency housing shelters, and down payment assistance to low- to moderate-income homebuyers. The Department of Housing and Community Development (department) has final responsibility for the housing bond funds and directly administers the majority of the housing bond programs. The California Housing Finance Agency (Finance Agency) also manages some of the programs funded by the housing bonds.

KEY FINDINGS

Our review of the housing bond activities revealed that the department and Finance Agency generally:

- ◆ Awarded funds in a timely manner.
- ◆ Complied with legal requirements when awarding housing bond funds. However, for one of the programs we reviewed, the department could not demonstrate that all applicants met established criteria.
- ◆ Appropriately monitored awardees during the expenditure phase.

However, we noted that the department:

- ◆ Sometimes overrode controls concerning advance payments for one of its programs.
- ◆ Does not exert adequate monitoring over the completion phase of two of its programs.

KEY RECOMMENDATIONS

We made several recommendations to the department, including the following:

- ◆ Ensure applicants are properly evaluated by implementing appropriate record-keeping procedures.
- ◆ Consistently monitor use of housing bond funds by:
 - Eliminating its process of overriding restrictions on advances for one of its programs.
 - Finalizing and implementing monitoring procedures for two of its programs.
 - Reviewing its other housing bond programs not included in this review to ensure that monitoring procedures are in place and operating.

