

## **2026-119 AUDIT SCOPE AND OBJECTIVES**

### **Housing and Community Development—Housing Development Monitoring**

The audit by the California State Auditor will provide independently developed and verified information related to the affordable housing development project monitoring practices at the Department of Housing and Community Development (HCD). The audit's scope will include, but not be limited to, the following activities:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
2. For a selection of affordable housing development projects that closed on their permanent financing from HCD in the last five years, determine the following:
  - (a) The nature of HCD's monitoring activities, including their frequency and the amount of time HCD spends performing these activities.
  - (b) To the extent possible, HCD's total costs for its monitoring activities and the monitoring fees that projects paid to HCD.
3. For the projects selected in Objective 2, and to the extent that statewide data are available, compare HCD's monitoring costs to the monitoring fees it collected from development projects. As part of this review, determine the following:
  - (a) Whether HCD's monitoring fees are reasonable compared to its monitoring costs.
  - (b) To the extent that HCD's monitoring fees exceed monitoring costs at the selected developments, how HCD handles any excess funds.
4. Compare HCD's monitoring activities and monitoring fees for its affordable housing development programs to those of the Tax Credit Allocation Committee and the California Housing Finance Agency.
5. Review and assess any other issues that are significant to the audit.