

Arizona Department of Housing Oversight of Selected Housing Programs

Department inadequately oversaw affordable housing projects we reviewed, including paying grantees more than \$8.1 million without verifying that expenses were adequately supported and for allowable purposes such as delivering needed services to individuals experiencing or at risk of homelessness and not conducting required site inspections to ensure those individuals had safe and sanitary housing

Audit purpose

To determine whether the Department met its statutory responsibility to oversee affordable housing programs in the State consistent with federal and State requirements and recommended practices.

Key findings

- In December 2023, the Department completed a monitoring review in response to a public complaint of a grantee contracted to provide housing and supportive services to more than 80 individuals in Apache and Navajo Counties. Its review found the grantee failed to address health and safety issues with program participants' homes, including rodent infestation and cracked walls; misused grant monies; and lacked documentation demonstrating it provided participants supportive services to help them live independently. The Department had not conducted annually required monitoring reviews of the grantee since 2019 and inadequately conducted other key oversight practices, such as verifying expenses were allowable, despite paying the grantee nearly \$1.9 million in fiscal years 2021 through 2023.
- Similarly, our review of the Department's oversight for a sample of 12 projects intended to provide special needs housing, emergency shelter, and rental housing development in calendar years 2021 through 2023 found that the Department inadequately oversaw these 12 projects, including:
 - Not conducting most required site inspections, putting participants at risk of living in unsafe or unsanitary conditions.
 - Approving and paying 22 grantee payment requests we reviewed that included more than \$8.1 million in expenses that were not supported by adequate documentation or were unallowable.
 - Inconsistently ensuring grantees submitted required project progress reports, limiting its ability to help address project delays and hold grantees accountable for providing agreed upon services.
 - Not conducting risk assessments to determine if grantees needed additional monitoring.

Key recommendations

The Department should:

- Develop and implement a written plan outlining the steps and associated timelines that it will take to implement key practices for providing program oversight consistent with federal and State requirements and recommended practices.
- Review grantee payments since 2021 to identify unallowable expenses and recover those monies.