

## Arizona Department of Housing

Department committed nearly \$1.26 billion toward affordable housing issues in the State in fiscal year 2023 but lacks a comprehensive process to evaluate program performance, limiting its ability to ensure and demonstrate its programs are effectively addressing the State's housing problems, and failed to develop wire transfer procedures to prevent fraud, resulting in a \$2 million fraudulent transfer

### Audit purpose

To determine whether the Department has developed a comprehensive performance management system consistent with recommended practices, and to respond to the statutory sunset factors.

### Key findings

The Department:

- Has several statutory responsibilities related to housing issues in the State, including addressing housing issues of low- and moderate-income families and special needs populations, housing affordability, and decaying housing stock; and maintaining and enforcing quality standards for manufactured homes and factory-built buildings.
- Committed federal and State monies and tax credits totaling approximately \$1.26 billion in fiscal year 2023 intended to help address affordable housing issues in the State.
- Lacks a comprehensive process to track and evaluate its programs' performance, limiting its ability to ensure its programs are addressing the State's housing problems, and can improve its outcome reporting to the Legislature.
- Failed to develop wire transfer policies and procedures to prevent and detect fraud, theft, waste, and abuse, resulting in a fraudulent transfer of \$2 million from the State Housing Trust Fund in 2023, although it received an insurance payment to cover the loss of these monies.
- Addressed some of our 2011 recommendations related to manufactured home and factory-built building fees but lacked processes for identifying costs associated with regulatory activities for each fee, resulting in it proposing fees to the Board of Manufactured Housing that may not be commensurate with its regulatory costs.
- Did not assign responsibility to manufactured home licensees to correct or repair defects in manufactured homes within 120 days for 2 of 10 complaints we reviewed, as required by federal regulations.

### Key recommendations

The Department should develop and implement policies and procedures for:

- Measuring its programs' performance, processes for establishing specific and measurable goals or targets, and tracking and assessing performance measures and reporting outcomes to the Legislature.
- Ensuring Department wire transfers are secure.
- Identifying the costs of its manufactured housing and buildings regulatory activities and proposing fees that are commensurate with these costs; and assigning responsibility to resolve consumer-manufactured home complaints within 120 days, as required by federal regulations.

The Department indicated it would not implement 4 recommendations related to reporting outcomes to the Legislature; and manufactured housing and building fee setting and complaint handling.