



ARRA REPORT BY THE  
INSPECTOR GENERAL AND STATE BOARD OF ACCOUNTS

2009-10-0225

December 21, 2009

ARRA REVIEW OF IHCDA'S TAX CREDIT EXCHANGE PROGRAM

*Indiana Inspector General Staff Attorney Amanda Schaeffer and State Examiner Bruce Hartman of the Indiana State Board of Accounts report as follows:*

This report addresses an evaluation of the Section 1602 Tax Credit Exchange Program<sup>1</sup> as administered by the Indiana Housing and Community Development Authority (IHCDA).

I

On February 17, 2009, the United States Government enacted the American Recovery and Reinvestment Act<sup>2</sup> (ARRA). The ARRA intends to provide a stimulus to the United States economy by providing \$787 billion in

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<sup>1</sup> The American Reinvestment and Recovery Act created the Section 1602 provision to the Section 42 Rental Housing Tax Credit program to allow for the ability for housing agencies to exchange certain allocations for cash.

<sup>2</sup> 40 USC 1606.

program funding and tax credits.<sup>3</sup>

The purpose of this report is to reflect an initial evaluation of ARRA compliance by the IHCDA Tax Credit Exchange Program.

## II

In 2009, IHCDA has been provided \$164,011,126 in ARRA funds in lieu of low-income housing credits to make sub awards to finance the construction or acquisition and rehabilitation of qualified low-income buildings. The purpose of the Section 1602 Tax Credit Exchange Program is to increase the affordable housing supply by using the appropriation to start construction on developments and encourage investment. IHCDA must return any funds not used by sub awards by December 31, 2010 to the US Treasury. However, once a sub award has been made, IHCDA can continue to disburse the funds for the sub award through

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<sup>3</sup> Indiana is expected to receive \$4.3 billion in ARRA funds and perhaps more in competitive grant funds. It is the experience of the Office of the Inspector General (OIG) and the State Board of Accounts (SBOA) that the expenditure of government funds may invite fraud and waste. The Office of the Inspector General's (OIG's) enabling statute states that the OIG "is responsible for addressing fraud, waste, abuse and wrongdoing in agencies." IC 4-2-7-2(b). The OIG is also mandated to "recommend policies and carry out other activities designed to deter, detect and eradicate fraud, waste, abuse, mismanagement and misconduct in state government." IC 4-2-7-3(2). These duties include the authority to "initiate, supervise and coordinate" investigations, IC 4-2-7-3(1), to perform audits, IC 4-2-7-2(a), and to "prepare interpretive and educational materials and programs." IC 4-2-7-3(16). Immediately upon the OIG's creation in 2005, the SBOA provided assistance to the OIG. Many of the two agencies' missions are similar. In addition to the above OIG duties, the SBOA is charged to develop and publish "accounting and uniform compliance guidelines manuals" ("Manuals") to provide guidance to public entities, IC 5-11-1-24(a), to perform audits, IC 5-11-1-9, and to make written findings regarding violations of its Manuals or "any law". IC 5-11-5-1(a). Both the SBOA and OIG also review compliance with the Circulars issued by the State Budget Agency issued under the authority of IC 4-12-1-13(h). Following the above authorities and precedent, both the OIG and SBOA have and continue to confer, research and seek education regarding ARRA. Substantial guidance has been provided by the Indiana Office of Management and Budget (OMB).

December 31, 2011, provided the project is at least 30 percent complete by the end of 2010.

### III

From our initial review, we find that the program controls outlined in the Section 1602 spending plan or other related documentation are adequate to meet the respective federal ARRA and OMB guidelines and requirements.

At a later date we will perform additional procedures as deemed necessary to verify compliance requirements. The work papers prepared during review of the Section 1602 Tax Credit Exchange Program will be retained as approved by the Oversight Commission on Public Records.

Dated this 21<sup>st</sup> day of December, 2009.



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David O. Thomas, Inspector General