

FINANCIAL-COMPLIANCE AUDIT

Montana Board of Housing

For the Fiscal Year Ended June 30, 2015

JANUARY 2016

15-07A

REPORT SUMMARY

The Montana Board of Housing continued to expand its in-house loan servicing function in fiscal year 2015, servicing approximately 4,200 loans with total outstanding balances of approximately \$335 million as of June 30, 2015.

Context

The Montana Board of Housing (board) is self-supporting, and receives no general fund appropriations. A majority of the board’s operations and programs are financed by proceeds from selling tax-exempt bonds in the private sector. The board is allocated to the Department of Commerce for administrative purposes.

The powers of the board are vested in a seven-member board, appointed by the Governor, subject to the confirmation of the Senate. The board provides policy direction to the agency staff, authorizes bond issuances, and approves development financing. The board also evaluates the Single Family, Recycled Single Family, and Multifamily loan programs, as well as the Low Income Tax Credit and Reverse Annuity Mortgage programs.

The board issues tax-exempt bonds to provide funds to purchase home mortgages, makes loans for rental housing projects, administers federal housing tax credit programs, and works in partnership with other housing providers throughout the state. The board’s mortgage loans are primarily for first-time home buyers.

The board issued one bond, for \$20 million, in fiscal year 2015. During the fiscal year, the board also continued to expand its in-house loan servicing function, which first began in

fiscal year 2013. As of June 30, 2015, the board was servicing approximately 4,200 loans, compared to approximately 3,400 at June 30, 2014. The total outstanding principle balance on the loans serviced in-house was approximately \$335 million as of June 30, 2015.

Results

Our audit effort focused primarily on the board’s activity related to bonds, mortgage loans, and investments. Throughout the audit, we also reviewed and tested select control systems and determined compliance with selected state laws and regulations.

This report contains one recommendation to the board related to internal controls over financial reporting. The board did not have adequate internal controls in place to ensure accurate and complete financial reporting for fiscal year 2015.

Recommendation Concurrence	
Concur	1
Partially Concur	0
Do Not Concur	0
Source: Agency audit response included in final report.	