

OFFICE OF THE STATE AUDITOR

DIANA DIZOGLIO

Official Audit Report – Issued October 30, 2025

Massachusetts Housing Finance Agency

For the period July 1, 2022 through June 30, 2024



OFFICE OF THE STATE AUDITOR

DIANA DIZOGLIO

October 30, 2025

Jeanne Pinado, Chair
Massachusetts Housing Finance Agency
1 Beacon Street
Boston, MA 02108

Dear Chair Pinado:

I am pleased to provide to you the results of the enclosed performance audit of the Massachusetts Housing Finance Agency. As is typically the case, this report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2022 through June 30, 2024. As you know, my audit team discussed the contents of this report with agency managers. This report reflects those comments.

I appreciate you and all your efforts at the Massachusetts Housing Finance Agency. The cooperation and assistance provided to my staff during the audit went a long way toward a smooth process. Thank you for encouraging and making available your team. I am available to discuss this audit if you or your team has any questions.

Best regards,



Diana DiZoglio
Auditor of the Commonwealth

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LIST OF ABBREVIATIONS

AMR	asset management review
CFR	Code of Federal Regulations
EOHHS	Executive Office of Health and Human Services
HAP	Housing Assistance Payment
HUD	US Department of Housing and Urban Development
MassHousing	Massachusetts Housing Finance Agency
MOR	management and occupancy review
MOU	memorandum of understanding
PBCA	performance-based contract administrator

EXECUTIVE SUMMARY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of the Massachusetts Housing Finance Agency (MassHousing) for the period July 1, 2022 through June 30, 2024.

The purpose of our audit was to determine the following:

- whether MassHousing conducted management and occupancy reviews for properties financed by the US Department of Housing and Urban Development (HUD) in accordance with Section 880.612 of Title 24 of the Code of Federal Regulations and Sections 6-9, 6-12, 6-13, and 6-15 of Chapter 6, REV-1, of HUD handbook *Multifamily Asset Management and Project Servicing* (4350.1);
- whether MassHousing conducted asset management reviews for properties that it financed in accordance with Sections 1, 6-8, and 10 of MassHousing's "Asset Management Review Guidelines"; and
- whether MassHousing monitored the availability of 3% Priority Program units and notified the state referral agencies responsible for placing eligible applicants in accordance with Section 4 of the "Massachusetts 3% Priority Program Operations Manual."

Our audit revealed no significant findings that must be reported under generally accepted government auditing standards. However, during the course of our audit, we identified a matter related to the oversight and monitoring of the availability of 3% Priority Program units. This matter involves multiple participating agencies and is discussed further in the Other Matters section of this report.

OVERVIEW OF AUDITED ENTITY

The Massachusetts Housing Finance Agency (MassHousing) is an independent, quasi-public agency established by Chapter 708 of the Acts and Resolves of 1966. Its primary function is to provide financing for affordable housing in Massachusetts. According to its website, MassHousing “[confronts] the housing challenges facing the Commonwealth to improve the lives of its people.”

MassHousing does not receive state funding for its operations. According to its website,

[MassHousing] raises capital by selling bonds and lends the proceeds to low- and moderate-income homebuyers and homeowners, and to developers who build or preserve affordable and/or mixed-income rental housing.

MassHousing is governed by a nine-member board of directors, with all members appointed by the Governor.

Section 8 Project-Based Contract Administration

MassHousing serves as the performance-based contract administrator (PBCA) for the Commonwealth on behalf of the US Department of Housing and Urban Development (HUD). In this role, MassHousing oversees key functions related to the administration of Section 8 Housing Assistance Payments (HAP) contracts.¹ According to the PBCA agreement between HUD and MassHousing, MassHousing is responsible for the following tasks:

- conducting management and occupancy reviews;
- adjusting contract rents in accordance with HAP contract and HUD requirements;
- processing terminations or expirations of HAP contracts;
- paying monthly vouchers from Section 8 property owners;
- resolving health and safety issues and responding to community and resident concerns;
- submitting Section 8 budgets, requisitions, revisions, and year-end statements to HUD;
- submitting financial statements to HUD; and
- renewing expiring Section 8 HAP contracts.

1. According to Form HUD-52641, a HAP contract “is used to provide Section 8 tenant-based assistance under the Housing Choice Voucher Program [a HUD program].”

Management and Occupancy Reviews

As part of the PBCA agreement, MassHousing performs management and occupancy reviews (MORs) of properties receiving project-based Section 8 housing assistance from HUD. These reviews evaluate management practices and include a physical inspection of a property's overall appearance, security, and compliance with HUD requirements, leasing and occupancy requirements, management and resident relations, and program accessibility.

Section 880.612 of Title 24 of the Code of Federal Regulations states that, after the HAP contract's effective date, the contract administrator must conduct an inspection of the project and review its operation at least once per year. This is to determine whether the owner complies with the contract and whether the units receiving Section-8 housing assistance are in decent, safe, and sanitary condition. According to *Federal Register* 87, No. 122, dated June 27, 2022, HUD revised the MOR scheduling to a risk-based system. The performance-based MOR schedule considered both a project's risk rating, as determined by HUD, and the most recent MOR score to establish whether the project's next MOR would be scheduled within 12, 24, or 36 months of the previous MOR. MassHousing adopted the HUD risk-based system of MOR scheduling and incorporated the system into its "Management and Occupancy Review (MOR) Guidelines."

The MOR process begins when the quality assurance manager at MassHousing sends a proposed annual MOR work plan to HUD, which is updated quarterly. A HUD project manager then reviews and approves the work plan² and sends it back to MassHousing via email. After receiving approval from HUD, a MassHousing asset manager schedules an MOR with at least 14 days' notice, confirms the review details in writing with the property manager, and provides the property manager with a list of documents that the property management team needs to have available on the day of the review.

Next, the asset manager completes a Form HUD-9834 "Management Review for Multifamily Housing Projects" to evaluate the physical condition of the property and the effectiveness of the property management practices. The asset manager completes Form HUD-9834 Part 1 – Desk Review³ before the on-site review and Form HUD-9834 Part II On-Site Review questionnaire with the property manager on

2. The work plan includes a list of multifamily properties in Massachusetts that are subsidized by HUD under the PBCA agreement and are scheduled for an MOR.

3. According to MassHousing's "Management and Occupancy Review (MOR) Guidelines," "the desk review is intended to provide information for the asset manager to determine the general status of the property and identify any potential problem areas" before the property's site visit.

the day of the review. The asset manager then reviews tenant files⁴ to verify tenant certifications and recertifications (such as household information and income and asset documentation), move-in and move-out dates, and rejection files.

Upon completion of the on-site review, the asset manager holds an exit meeting with the property manager to discuss their initial observations and findings. According to Section 6-9 of Chapter 6, REV-1, of HUD handbook *Multifamily Asset Management and Project Servicing* (4350.1), written summary reports for on-site reviews must be completed by the asset manager within 30 calendar days of completing the on-site review. The asset manager sends via email the written summary report, which consists of a cover letter, a summary report, a rating, and findings, to the owner and property manager or their designated contact.

The following table details the five possible ratings outlined in Chapter 6, REV-1, of HUD handbook *Multifamily Asset Management and Project Servicing* (4350.1).

Rating	Range
Superior	90–100
Above Average	80–89
Satisfactory	70–79
Below Average	60–69
Unsatisfactory	59 and below

For reviews rated as “Below Average” or “Unsatisfactory,” the asset manager also provides a copy to the HUD account executive. The property manager may submit an appeal of the rating to MassHousing within 30 days of receiving the report. The HUD account executive communicates the final appeal decision to the property manager within 45 calendar days of either receiving the appeal letter from the owner or property manager or the conclusion of the appeal meeting between the property manager and HUD director, if one is requested. Following the initial appeal decision rendered by MassHousing, if the property manager disagrees with the outcome, they may submit a final appeal to the local HUD project manager, who makes the final decision. According to Section 7 of MassHousing’s “Management and Occupancy Review (MOR) Guidelines,” the portfolio manager at MassHousing reviews the report and accompanying documentation

4. Tenant files are official records that a property manager maintains for each household residing in a Section 8 housing unit. These files document a tenant’s eligibility, income, rent calculation, and other key information needed to ensure compliance with program requirements.

prepared by the asset manager to ensure that all sections of the form have been completed. Additionally, the asset manager and portfolio manager need to confirm that the conclusions drawn and any required corrective actions are well-supported and that the ratings assigned are appropriate.

According to Section 6-15 of Chapter 6, REV-1, of HUD handbook *Multifamily Asset Management and Project Servicing* (4350.1), the property manager must be notified when there is any noncompliance related to any outstanding management occupancy review findings. Upon receiving this notification, the property manager is required to take remedial actions and provide an explanation for the noncompliance. The asset manager conducts follow-up activities on any noncompliance until all corrective actions have been completed. After the property manager has taken all corrective actions or a decision is made to defer any open findings, the asset manager provides a close-out letter to the property manager. The asset manager then updates the management review fields in the Integrated Real Estate Management System⁵ with the target completion dates and the MOR closure date, if applicable. If the property manager fails to respond and/or address corrective actions, the asset manager continues to follow up and may refer the issue to the HUD field office for appropriate administrative action. If MassHousing cannot ensure compliance with HUD requirements, the HUD project manager has discretion in resolving deficiencies and may initiate a referral to the Departmental Enforcement Center⁶ for potential administrative sanctions. This could result in suspension, debarment, limited denial of participation, civil money penalties, and/or other appropriate sanctions.

Asset Management Reviews

According to its website, MassHousing provides financing to developers and property owners of affordable and/or mixed-income rental housing. The MassHousing Rental Management Division conducts asset management reviews (AMRs) of property developments within MassHousing's multifamily rental portfolio and evaluates the effectiveness of each property management company in managing the asset and maintaining compliance with MassHousing requirements. During the audit period, more than 400

5. According to US HUD's website, the Integrated Real Estate Management System is the system HUD uses to manage its portfolio of insured and assisted multifamily housing properties.

6. According to the US Government Accountability Office's *Department of Housing and Urban Development: Better Guidance and Performance Measures Would Help Strengthen Enforcement Efforts*, dated October 2018, "HUD established the Departmental Enforcement Center (DEC) in 1998 to help ensure program participants' compliance with HUD program requirements and consolidate non-civil rights enforcement actions across HUD into a single center."

property developments were within MassHousing's multifamily rental portfolio and were subject to AMRs.

According to MassHousing's "Asset Management Review Guidelines," the purpose of an AMR is to monitor property operations. This review includes assessing the overall physical condition of the property and its financial and operational performance. An AMR aims to ensure that property managers comply with established affordability restrictions and applicable federal, state, and MassHousing regulations. MassHousing conducts AMRs on various types of properties in its loan portfolio, including MassHousing's risk-rated developments, such as multifamily accelerated processing and demonstration disposition developments; Workforce Housing; and Options for Independence developments. Generally, the asset manager performs the initial review one year and one day after the property development's permanent loan closure. Unless an AMR is deferred, MassHousing asset managers perform AMRs every 12 months, based on risk ratings and program requirements.

The first step of the AMR process involves the asset and portfolio managers reviewing their work plan to determine the AMR schedule for a specific property. The asset manager then sends a review notice for a site visit to the property manager 30 days before the visit. This notice includes a questionnaire and a list of documents that must be prepared for the review. Before the site visit, the asset manager conducts a desk review by completing MassHousing's internal review forms. This review includes, but is not limited to, documents such as the previous AMR and close-out documentation; the capital needs plan; the most recent real estate assessment center⁷ inspection, if applicable; financial activity reports; and the property's affordability profile.

During the site visit, the asset manager reviews the property manager's policies and procedures while assessing the physical condition of the property. This physical assessment includes inspecting the building's exterior, grounds, common areas, and a sample of units. Additionally, the asset manager conducts a resident file audit, which involves reviewing a sample of move-in, recertification, move-out, and rejection files, to ensure the property manager's compliance with federal and state regulations. Before leaving the property, the asset manager performs an exit interview with the property manager to summarize the overall impression of the development, significant findings, and observations made during

7. According to HUD's website, the real estate assessment center is HUD's online system for managing property data collection and financial assessments.

the site visit. The asset manager informs the property manager that the final report could include additional findings based on the final and overall review.

The AMR report consists of a cover page and a narrative describing the observations, findings, and ratings achieved based on the following AMR scoring criteria: inspection results, capital needs planning, affordability restrictions, fiscal management, and operations requirements. It also clearly identifies corrective actions and their target completion date, which is typically 30 days from the date of the report. The rating categories include superior, satisfactory, and unsatisfactory. The portfolio manager reviews and approves the completed report. If a property receives three or more unsatisfactory ratings among the above AMR scoring criteria, it is classified as an overall failed review of the property. In the case of a failed review, the asset and portfolio managers, in consultation with the senior manager, determine whether the property development should be subject to an action plan or probation. The asset manager then sends the AMR report to the property manager within 30 days of the site visit. The asset manager sends AMRs that have overall failed reviews or unsatisfactory ratings via certified mail.

The property manager may file a written appeal within 10 days of receiving the failed AMR report if they disagree with the results. If they decide not to file an appeal, or if the appeal is denied, they must address the recommendations and implement corrective actions within 30 days of the issuance of the AMR report. Finally, the asset manager follows up to ensure that the findings are adequately addressed and closes out the review with a letter to the property manager, owner, or agent. If findings are not adequately addressed, property owners may be subject to termination of their HAP contract and potential debarment from participation in the Section 8 housing program.

Massachusetts 3% Priority Program

The Massachusetts 3% Priority Program is designed to assist the Commonwealth in promoting independent living for people with disabilities and older adults by helping them reside in the least restrictive environments possible. The program offers prioritized access to community-based housing, along with the necessary support services to help individuals thrive within their communities.

Effective September 1, 2020, MassHousing entered into a memorandum of understanding (MOU) related to the 3% Priority Program, with the following housing agencies: the Massachusetts Development Finance Agency, the Massachusetts Housing Partnership Board, and the Department of Housing and Community

Development,⁸ and the following health agencies of the Commonwealth: the Executive Office of Health and Human Services (EOHHS), the Department of Mental Health, the Department of Developmental Services, the Massachusetts Rehabilitation Commission, and the Executive Office of Elder Affairs. The MOU outlined the responsibilities of the parties with respect to the 3% Priority Program units at multi-family developments. The MOU stated that MassHousing agreed to serve as the point of contact between property management companies and EOHHS and would facilitate referrals for vacant units, starting from the effective date of the MOU through March 1, 2023.

According to the 3% Priority Program MOU,

1.2 3% Priority Agreements. . . . The 3% Priority Agreements shall provide a priority for consumers referred by the EOHHS Parties for a least 3% (rounded up if .5 or over) of all subsidized units as shall be specified therein.

2.1 Developments Requiring 3% Priority Units. 3% Priority Agreements shall be required for all rental developments funded or overseen by one or more of the Housing Parties . . . with (a) at least 17 affordable units restricted to households earning up to eighty percent (80%) of the area median income (AMI) and (b) a federal capital subsidy administered by one of the Housing Parties, a state capital subsidy, utilization of state or federal low-income housing tax credits or a project-based rental assistance contract. Units subsidized by the Community-Based Housing (CBH) or Facilities Consolidation Fund (FCF) programs or other similar programs or units already serving clients of the EOHHS Parties will be counted towards the requirement for 3% Priority Units.

According to the “Massachusetts 3% Priority Operations Manual,” if an EOHHS referring agency does not refer a household for a particular unit vacancy, the property manager can fill the vacancy by renting the unit to a different qualified household.

Some MassHousing contracts for multifamily properties include a requirement for multifamily property owners with certain loans to set aside 3% of all low- and moderate-income units for applicants referred by specific agencies within the EOHHS. These agencies include the Executive Office of Elder Affairs, the Massachusetts Rehabilitation Commission, the Department of Developmental Services, and the Department of Mental Health.

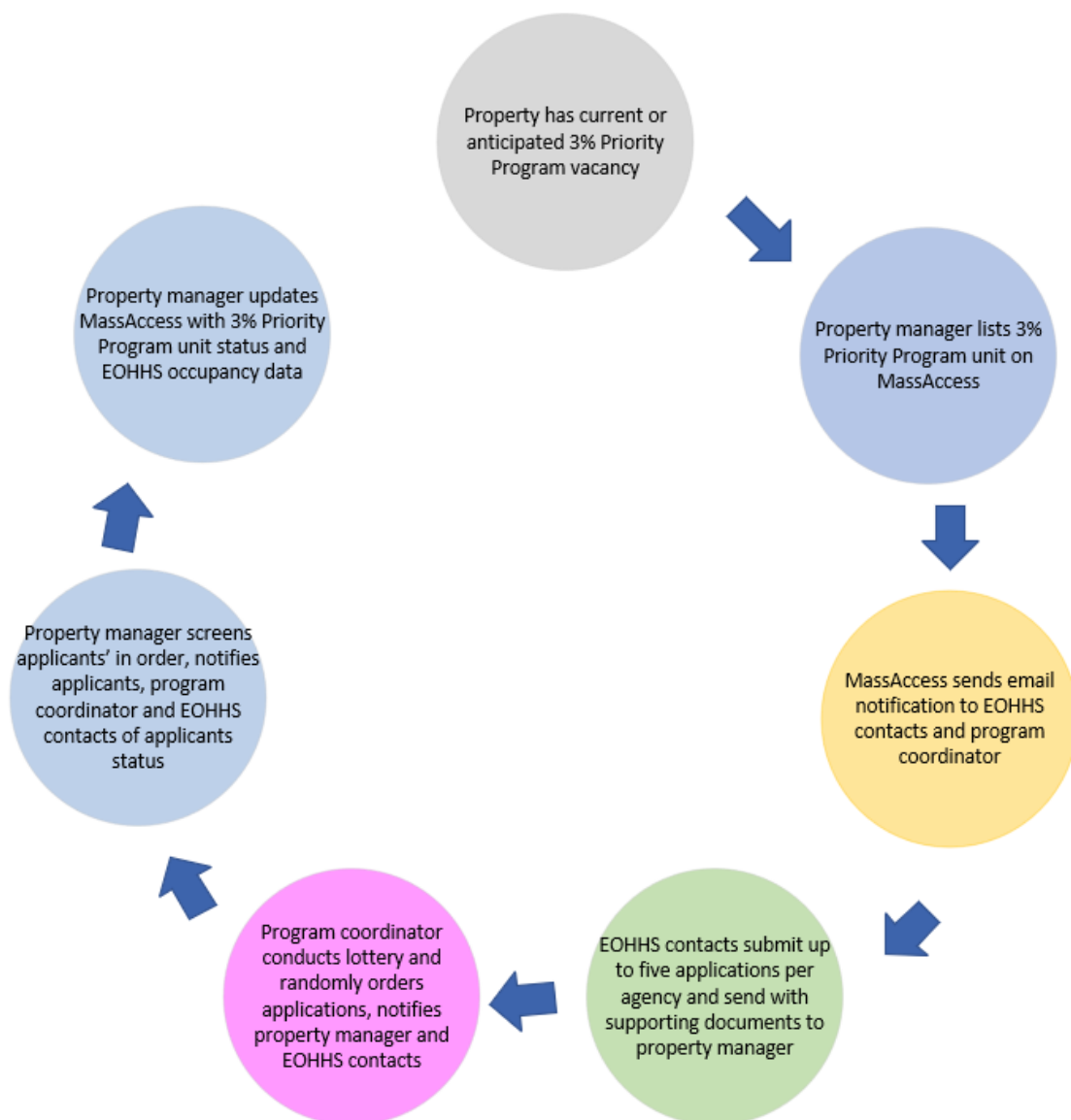
According to the “Massachusetts 3% Priority Program Operations Manual,”

8. Effective on March 1, 2023, the Department of Housing and Community Development was renamed to the Executive Office of Housing and Livable Communities.

The 3% priority program coordinator [which is MassHousing] is responsible for randomly ordering the applicants for the 3% Program units and notifying the EOHHS contacts and property manager of that order. . . . An inventory of 3% program units and respective EOHHS agency occupancy will be maintained in MassAccess [an online search tool for affordable rental homes in Massachusetts], and shared with EOHHS contacts on a quarterly basis.

According to the “Massachusetts 3% Priority Program Operations Manual,” below is the process of filling vacancies related to the 3% priority program.

Process for Filling 3% Priority Program Vacancies



AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of the Massachusetts Housing Finance Agency (MassHousing) for the period July 1, 2022 through June 30, 2024.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Below is a list of our audit objectives, indicating each question we intended our audit to answer; the conclusion we reached regarding each objective; and, if applicable, where each objective is discussed in the audit findings.

Objective	Conclusion
1. Did MassHousing conduct management and occupancy reviews (MORs) for properties financed by the US Department of Housing and Urban Development (HUD) in accordance Section 880.612 of Title 24 of the Code of Federal Regulations (CFR) and Sections 6-9, 6-12, 6-13, and 6-15 of Chapter 6, REV-1, of HUD handbook <i>Multifamily Asset Management and Project Servicing</i> (4350.1)?	Yes
2. Did MassHousing conduct asset management reviews (AMRs) for properties that it financed in accordance with Sections 1, 6–8, and 10 of MassHousing’s “Asset Management Review Guidelines”?	Yes
3. Did MassHousing monitor the availability of 3% Priority Program units and notify state referral agencies responsible for placing eligible applicants in accordance with Section 4 of the “Massachusetts 3% Priority Program Operations Manual”?	Yes; see <u>Other Matters</u>

To accomplish our objectives, we gained an understanding of the MassHousing internal control environment relevant to our objectives by reviewing applicable policies and procedures and interviewing officials at MassHousing. We evaluated the design and implementation of the internal controls related to our audit objectives. We also tested the operating effectiveness of controls, which included testing whether HUD approved the MORs scheduled to be completed by MassHousing on a monthly basis and whether the portfolio manager reviewed and approved the AMR reports prepared by the asset manager during the audit period.

To obtain sufficient, appropriate evidence to address our audit objectives, we performed the audit procedures described below.

MORs

To determine whether MassHousing conducted MORs for properties financed by HUD in accordance with 24 CFR 880.612 and Sections 6-9, 6-12, 6-13, and 6-15 of Chapter 6, REV-1, of HUD handbook *Multifamily Asset Management and Project Servicing* (4350.1), we selected a random, nonstatistical⁹ sample of 40 property developments from a population of 591 for our testing.

For each of the 40 property developments in our sample, we verified that an MOR was performed on the scheduled date that was approved by HUD. We compared the date that the MOR report was issued and the date of the on-site review to determine whether the report was issued within 30 days of the first day of the on-site review. For MOR reports with unsatisfactory or below-average ratings, we determined whether the asset manager reported them to the HUD project manager and/or referred them to the Departmental Enforcement Center. For MOR reports that contained a deficiency, we determined whether the asset manager received a response from the property manager within 30 days of the MOR reports. Further, we determined whether the asset manager updated the Integrated Real Estate Management System with completion dates of any corrective actions and MOR closure dates.

We did not identify any exceptions in our testing. Therefore, we concluded that, during the audit period, MassHousing conducted MORs for the properties financed by HUD in accordance with 24 CFR 880.612 and Sections 6-9; 6-12; 6-13; and 6-15 of Chapter 6, REV-1, of HUD handbook *Multifamily Asset Management and Project Servicing* (4350.1).

AMRs

To determine whether MassHousing conducted AMRs for properties that it financed in accordance with Sections 1, 6–8, and 10 of its “Asset Management Review Guidelines,” we selected a random, nonstatistical sample of 40 property developments from a population of 407 for our testing.

For each of the 40 property developments in our sample, we verified that the asset manager performed an AMR annually during the audit period. We compared the date that the AMR report was issued and the

9. Auditors use nonstatistical sampling to select items for audit testing when a population is very small, the population items are not similar enough, or there are specific items in the population that the auditors want to review.

date of the site visit to determine whether the AMR report was issued within 30 days of the first day of the site visit. For AMR reports with unsatisfactory ratings, we determined whether the identified issues and the required corrective actions had been addressed.

We did not identify any exceptions in our testing. Therefore, we concluded that, during the audit period, MassHousing conducted AMRs for properties it financed in accordance with Sections 1, 6–8, and 10 of its “Asset Management Review Guidelines.”

3% Priority Program

To determine whether MassHousing monitored the availability of 3% Priority Program units and notified state referral agencies that were responsible for placing eligible applicants in accordance with Section 4 of the “Massachusetts 3% Priority Program Operations Manual,” we took the actions described below.

We selected a random, nonstatistical sample of 20 property developments from a population of 68 for our testing. For each of the 20 property developments in our sample, we determined whether MassHousing maintained an inventory of 3% Priority Program units. We determined whether the property manager maintained the list of available units in the MassAccess Housing Registry and whether MassHousing shared the list of available units with Executive Office of Health and Human Services contacts on a quarterly basis. In addition, we reviewed the AMR reports and, for the property developments in the 3% Priority Program with vacant units, we determined whether MassHousing provided corrective actions and whether the property developments complied with these corrective actions. See [Other Matters](#) for additional information.

We used nonstatistical sampling methods for testing and, therefore, did not project the results of our testing to any populations.

Data Reliability Assessment

To determine the reliability of the list of properties that were subject to MORs that MassHousing provided us, we interviewed MassHousing management who were responsible for the source data. Further, we used electronic spreadsheet functionality to identify hidden cells and rows, duplicate records, and blank fields, and noted no exceptions. To determine the completeness and accuracy of the list, we selected a random sample of 20 properties from the list and compared the development names and property

numbers from this list against the mortgage notes. Additionally, we reconciled the list that MassHousing provided us to the management occupancy work plan approved by HUD.

To determine the reliability of the list of properties subject to AMRs provided by MassHousing, we interviewed MassHousing management who were responsible for the source data. Further, we used electronic spreadsheet functionality to identify hidden cells and rows, duplicate records, and blank fields and noted no exceptions. To determine the completeness and accuracy of the list, we selected a random sample of 20 properties from the list and compared the development names and property numbers from this list against the mortgage notes. Additionally, we reconciled this list provided by MassHousing to the list of property developments reported in MassHousing's annual financial report.

To determine the reliability of the list of development properties under the 3% Priority Program that MassHousing provided to us, we interviewed MassHousing management who were responsible for the source data. Further, we used electronic spreadsheet functionality to identify hidden cells and rows, duplicate records, and blank fields and noted no exceptions. To determine the completeness and accuracy of the list, we selected a random sample of 20 properties from the list and compared the development names and property numbers from the 3% Priority Program list against regulatory or ownership agreements. Additionally, we selected random samples of 20 regulatory or ownership agreements and compared the same information to the 3% Priority Program list that MassHousing provided to us.

Based on the results of the data reliability assessment procedures described above, we determined that the information we obtained was sufficiently reliable for the purposes of our audit.

Conclusion

Our audit revealed no significant findings that must be reported under generally accepted government auditing standards.

OTHER MATTERS

Agencies participating in the 3% Priority Program should make improvements in oversight and monitoring of available units.

Our audit identified weaknesses in the oversight and monitoring of the Massachusetts 3% Priority Program, in which MassHousing has voluntarily chosen to participate alongside several other government agencies.

Specifically, we found the following:

- The memorandum of understanding (MOU) regarding the units in the program between MassHousing and the Executive Office of Health and Human Services (EOHHS) agencies does not formally designate an entity that is responsible for enforcing program compliance. Under this MOU, MassHousing agreed to serve as the point of contact between management companies and the EOHHS agencies until March 1, 2023. Although MassHousing continues to serve in this capacity informally, no official entity has been assigned to enforce compliance. This lack of formal assignment may result in unclear accountability among participating agencies and stakeholders.
- The MOU also required that, “on or before September 1, 2022, the Parties shall evaluate the system to determine if there are more efficient or effective ways of administering the 3% Priority [Program].” As part of this evaluation, the participating agencies were to assess the costs of administering the program, and, after that assessment, the agencies that were involved in the MOU would jointly determine how to allocate these costs. However, we found that this evaluation and cost allocation process never took place.
- There is no real-time, accurate inventory of available 3% Priority Program units accessible to participating agencies. This lack of up-to-date information may limit effective coordination and timely referrals within the program.
- Affordability and occupancy requirements for 3% Priority Program units are reviewed only once annually during MassHousing’s asset management reviews (AMRs). There is no interim or targeted monitoring to verify ongoing compliance, limiting the ability to promptly identify and address potential violations. While these reviews touch on affordability and occupancy requirements, they are not conducted specifically for the 3% Priority Program.

Given its role as the designated facilitator of communication from September 1, 2020 through March 1, 2023, we would have expected MassHousing to proactively lead the evaluation of the program’s administrative effectiveness and, if warranted, facilitate the development of a successor agreement. We recommend that MassHousing coordinate and collaborate closely with the agencies included in the MOU to implement the following measures:

- All agencies included in the MOU should assign clear responsibility to a specific agency or establish oversight mechanisms to enforce program compliance, coordinate referrals, and ensure accountability among all parties.
- All agencies included in the MOU should evaluate the program administration, including cost analysis, as stipulated in the MOU, and use the findings to improve operational efficiency and establish transparent cost-sharing arrangements.
- All agencies included in the MOU should implement a centralized, real-time unit inventory system by developing or enhancing a shared database that is accessible to all participating agencies to track available 3% Priority Program units, enabling timely referrals and better program management.
- The agency designated to complete compliance reviews should conduct targeted compliance reviews specifically focused on the 3% Priority Program to promptly identify and correct any violations.

Auditee's Response

We respectfully disagree with the accuracy and completeness of some of the information reported and object to various implications discussed in the "Other Matters" of the report. . . .

With regard to the accuracy of "issues" and recommendations presented, while we can concur that MassAccess does not provide a real-time status of units filled, we disagree with: the notion that a targeted review . . . is needed (given the low vacancy rate); effective coordination and timely referrals did not occur within the program (given the evidence provided showing postings to MassAccess); and that there is unclear accountability among participating agencies and the project managers at developments participating in the program. The evidence gathered indicated that most properties within our portfolio were meeting or exceeding program requirements. . . .

With regard to the completeness of information presented, the "Other Matters" highlights "Agencies participating in the 3% Priority Program", but we are uncertain on the evidence gathered to support the work of the other Agencies and why MassHousing would be accountable for their roles within the program. We are not suggesting that the field auditors did not obtain sufficient and appropriate evidence to form this conclusion but question the appropriateness of such commentary within a report addressed to MassHousing. This is especially concerning when evidence of our portfolio performance indicated otherwise. We urge you to consider dropping the "Other Matters" as it is contradictory to the conclusions formed with regard to the effectiveness of Asset Management Reviews (AMR), inappropriately suggests that MassHousing is responsible for the program in its entirety, and indicates that MassHousing did not provide priority access to housing units. . . .

In the interest of expediting the conclusion of this engagement, we can agree that MassHousing will engage in a discussion with the other parties noted in the Memorandum of Understanding (MOU) Relating to 3% Priority Units. While we can take your recommendations into consideration, we cannot unilaterally commit to implementing the activities listed. Additionally, the recommendations do not capture a cost/benefit analysis of their implementation and may not be feasible.

Auditor's Reply

In its response, MassHousing acknowledges that there is no real-time inventory of available units through the MassAccess system but disagrees that this presents a potential issue for program coordination and referrals. It is important to note that during the course of our audit, MassHousing officials told us that they are actively working to update MassAccess to serve as a statewide tracking system for 3% Priority Program units and the respective EOHHS agency occupancy. This effort itself is an explicit acknowledgement that the current system needs improvement.

MassHousing disagrees with the recommendation to implement targeted compliance reviews for the 3% Priority Program, citing low vacancy rates and the effectiveness of existing AMRs. While AMRs provide broad oversight, they are not designed to assess whether program-specific requirements—such as eligibility, referrals, and occupancy—are being monitored with sufficient depth and frequency. Targeted reviews would help ensure that these critical elements of the program are being consistently implemented and would supplement, rather than duplicate, existing monitoring efforts.

MassHousing expressed concern that the audit implies that it is solely responsible for the 3% Priority Program and questioned the appropriateness of our comments related to other agencies' roles. We understand that MassHousing is not the only entity responsible for the program's administration and agree that accountability is shared among the parties that participate in the program through the MOU. However, the audit noted that no agency has been formally designated to oversee compliance or interagency coordination since MassHousing's role under the MOU expired on March 1, 2023. It is actually this lack of a clearly defined oversight structure in the MOU that increases the risk of unclear roles and inconsistent follow-through on program responsibilities. Our recommendation to assign formal oversight responsibility is not an assignment of blame but a reflection of the need for more structured coordination and accountability among all participating agencies. Given its prior role as facilitator of communication and awareness of the evaluation requirement established in the MOU, we would have expected MassHousing to have proactively led the assessment of the program's administrative effectiveness and, if warranted, to have facilitated the development of a successor agreement.

We appreciate MassHousing's willingness to engage in discussions with the other participating agencies. We encourage MassHousing to implement our recommendations to the extent that it determines feasible, as these improvements are intended to enhance program effectiveness, ensure that the 3%

Priority Program meets its intended goals, and ensure that this program better serves the housing needs of residents across the Commonwealth.