Housing Consultants of America

LIHTC File Audit Checklist:

What Compliance Teams Should Review Before an Audit

A practical pre-audit guide for affordable housing owners, management companies, and compliance teams.

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A Low-Income Housing Tax Credit (LIHTC) audit should never begin the day the state agency reviewer arrives. The strongest compliance teams prepare long before the monitoring notice lands in their inbox. Tenant files are the documentation trail demonstrating that households were eligible, rents were properly restricted, certifications were completed correctly, and the property followed applicable program requirements. A proactive internal file audit can identify weaknesses early, reduce surprises, and give teams time to make appropriate corrections before a formal review.

THE GOAL: Review every file as if an outside compliance reviewer were opening it tomorrow.

1. Start With the Tenant Income Certification

The Tenant Income Certification (TIC) is one of the central documents in an LIHTC file. Do more than confirm that a TIC exists. Compare it to the application, income and asset documentation, student-status forms, lease, and other supporting records.

- Household members and composition are accurate and consistent.
- Certification and effective dates are correct.
- The applicable income limit and household size are correct.
- Income and asset calculations are supported by the file.
- Student status is documented.
- Unit and program designations are correct.
- Required signatures and dates are present.

2. Review Household Composition

Household composition can affect eligibility, income limits, student rules, and file consistency. Compare the application, TIC, lease, and household documentation and investigate unexplained differences.

- Confirm every household member appears consistently throughout the file.
- Document additions or removals from the household.
- Confirm minors, dependents, and live-in aides are treated appropriately.
- Verify the household size agrees with the income limit used.

3. Recalculate Income - Don't Just Check for Verifications

An employment verification in the file does not automatically mean the income calculation is correct. Independently recalculate income using the documentation available for the certification.

- Review wages and employment income.
- Review Social Security, pensions, retirement, unemployment, self-employment, recurring contributions, and other applicable sources.
- Confirm the calculation methodology and annualization are supported.
- Resolve discrepancies between source documents and the TIC.

4. Review Assets Carefully

Asset documentation and calculations deserve the same attention as income. Review applicable accounts, investments, real property, trusts, retirement assets, and other assets required under the rules in effect for the certification.

- Confirm applicable assets were disclosed.
- Confirm required documentation or permitted self-certification is present.
- Recalculate values and applicable income from assets.
- Confirm current forms and agency guidance are being used.

5. Confirm Student Eligibility

Student status is not simply a signature exercise. Determine whether the household is subject to the LIHTC full-time student rule and, when an exception is being relied upon, confirm that the exception is properly documented.

6. Review Rent, Utility Allowances and Unit Designations

A household can be income-qualified while the unit still has a compliance problem. Review the gross rent calculation and the records supporting the property's rent and utility allowance practices.

- Tenant-paid rent and gross rent are correct.
- The applicable utility allowance and effective date are documented.
- The unit's income and rent designation is correct.
- Rent changes and mandatory charges have been reviewed.

7. Compare the Lease to the Certification

The lease should agree with the certification record. Confirm household members, unit number, dates, rent, required addenda, signatures, and renewal documentation. Layered properties may require additional program-specific lease documents.

8. Check Every Signature and Date

Missing signatures and inconsistent dates are preventable findings. Review the chronology of the file and ask whether the documents tell a logical compliance story. A complete-looking file can still raise questions when dates conflict or documents appear out of sequence.

9. Review the Certification History

When appropriate, look beyond the current certification. Errors can be carried forward for years. Review move-in and subsequent certifications for missing records, household changes, calculation issues, rent changes, corrections, and inconsistencies.

10. Pay Special Attention to Layered Properties

LIHTC properties layered with HUD Section 8, HOME, RAD/PBV, Housing Trust Fund, Rural Development, or other programs require a broader review. Identify every funding layer first, then make sure the file satisfies the requirements applicable to each program.

HCA's Pre-Audit LIHTC File Checklist

Use this as an internal quality-control guide and customize it to your allocating agency, regulatory agreement, property procedures, and program layers.

Household & Eligibility

- ■ Application is complete.
- ■ Household composition is consistent throughout the file.
- ■ Applicable income limit is correct.
- ■ Household was income eligible at the required certification point.
- ■ Student status has been reviewed and documented.
- ■ Applicable student exception documentation is present.

Income

- ■ All applicable income sources have been disclosed.
- ■ Required income documentation is present.
- ■ Income has been independently recalculated.
- ■ Supporting documentation agrees with the TIC.
- ■ Discrepancies are appropriately documented and resolved.

Assets

- ■ Applicable assets are disclosed.
- ■ Required asset documentation is present.
- ■ Asset values are calculated correctly.
- ■ Applicable income from assets is calculated correctly.
- ■ Required asset certifications or worksheets are complete.

Tenant Income Certification

- ■ Correct TIC/form version is being used.
- ■ Household information is accurate.
- ■ Income information is accurate.
- ■ Asset information is accurate.
- ■ Unit designation is correct.
- ■ Income and rent restrictions are correct.
- ■ Required signatures are present.
- ■ Dates and effective dates are correct.

Rent & Utility Allowances

- ■ Gross rent is within the applicable limit.
- ■ Utility allowance is correct.
- ■ Correct utility allowance effective date was used.
- ■ Rent changes were implemented correctly.
- ■ Mandatory charges have been reviewed.

Lease & Required Documents

- ■ Lease is fully executed.
- ■ Lease information agrees with the certification.
- ■ Required LIHTC addenda are present.
- ■ Required agency-specific forms are present.
- ■ Applicable layered-program documents are present.

File History

- ■ Prior certifications have been reviewed when appropriate.
- ■ Household changes are documented.
- ■ Missing or late certifications have been identified.
- ■ Previous errors and corrections are documented.
- ■ File chronology is logical and complete.

Don't Wait for the Audit Notice

Audit readiness is built through routine quality control, not a last-minute file scramble. Review new certifications before finalization, conduct periodic internal audits, track recurring errors, and use findings to strengthen training and procedures. Fresh eyes matter: a second reviewer often catches inconsistencies that the original processor understandably missed.

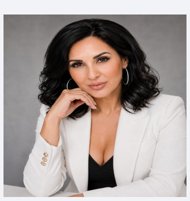
Know Your State Agency's Requirements

LIHTC compliance monitoring is administered by state housing credit agencies, and forms, procedures, documentation standards, and monitoring practices can differ by jurisdiction. Always use the property's current allocating-agency compliance manual, regulatory agreement, applicable program guidance, and current forms alongside any general checklist.

How Housing Consultants of America Can Help

Housing Consultants of America (HCA) provides third-party affordable housing compliance support for owners, developers, management companies, housing authorities, and nonprofit housing organizations. Services include LIHTC file audits, 100% tenant-file reviews, HUD/LIHTC layered reviews, pre-audit reviews, corrective-action support, recertification backlog recovery, temporary occupancy and compliance staffing, MOR preparation, third-party compliance support, and affordable housing training.

IDENTIFY THE PROBLEMS BEFORE THE AUDITOR DOES.



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