

## Four Ways PHAs Can Protect Against Fraud

The affordable housing industry continues to work through the challenges of the COVID-19 pandemic, including for some public housing authorities (PHAs) a return to the office and an opportunity to re-evaluate internal controls. In this week's podcast, Michael Novogradac, CPA, and Rich Larsen, CPA, discuss four ways PHAs can protect against fraud, with special attention on rent collections, building materials, physical assets and cyber fraud.

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## Transcript

### Introduction

[00:00:10] **Michael Novogradac, CPA:** Hello, I'm Michael Novogradac, and this is Tax Credit Tuesday. This is the Jan. 24, 2023, podcast. In today's episode, we're going to discuss how public housing authorities can better protect against fraud. Now, while today's topic has a focus on public housing authorities, our tips are also useful to others who are working in our affordable housing, community development and real estate development, more generally.

Now if you're wondering what inspired us to talk about this issue on this podcast, the idea actually came from a listener who heard our Tax Credit Tuesday podcast episode back in October about post-Rental Assistance Demonstration hot topics. The listener requested that my guest on that episode, my partner, Rich Larsen, give a presentation on helping public housing authorities - PHAs - protect their assets.

Now, Rich is back on the podcast today to share his insights on that topic. Rich also wrote an article for the January issue of the Novogradac Journal of Tax Credits about safeguarding PHA assets. His tips come from more than 30 years of experience with public housing authorities and developer clients as an accountant, auditor and consultant.

So if you're a PHA, a developer or property manager, today's episode is designed to help you identify potential risk areas for fraud and learn how to better protect your assets. Now, of course, this is the disclaimer. There's no guarantee against all fraud, but there are smart controls you can implement to minimize the opportunity for fraud. And, if fraud does occur, you want to be sure to have a system in place to help you identify and address those issues as soon as possible.

We have a lot to talk about today, so if you're ready, let's get started.

Rich, welcome back to Tax Credit Tuesday.

[00:02:02] **Rich Larsen, CPA:** Thanks, Mike. It is great to be back.

### Current Update

[00:02:04] **Michael Novogradac, CPA:** It's super having you back and it's interesting that you, that an employee of a public housing authority reached out to you after the podcast last year for this topic, so I'm looking forward to discussing it with you.

[00:02:17] **Rich Larsen, CPA:** We had a great conversation, had some great feedback, some great questions. So I think we're going to have a good session here.

[00:02:24] **Michael Novogradac, CPA:** So before we dive into the specific areas of risk and how public housing authorities can better protect their assets in each of these areas, I want to take a step back and talk about why the topic of fraud prevention is particularly timely now because it's something that, at first blush, you wouldn't think it'd be particularly timely.

[00:02:41] **Rich Larsen, CPA:** That's right.

[00:02:41] **Michael Novogradac, CPA:** But as we discussed in preparing for the podcast, there are a number of reasons why now is a particular time to be focused on fraud prevention.

[00:02:48] **Rich Larsen, CPA:** Right. So as an order, Mike, of public housing authorities I've seen that many PHAs modified certain internal control procedures to accommodate for employees working from home during the pandemic.

While many of these modifications may have been necessary given the circumstances, PHAs really need to get back to proper internal controls in order to safeguard PHA assets. We've also seen PHAs that have had RAD projects on hold for the last 18 months. Now they're fast tracked to get these projects completed.

As a result, we see PHAs spending millions of dollars on multiple projects in a very short period of time, which can leave them very vulnerable to fraud and abuse. And finally, something we know, PHAs received hundreds of thousands, and in some cases, millions of dollars in CARES Act funding which required them to obligate these funds quickly in order for the PHA to continue to provide essential services during the pandemic.

For example, many PHAs purchased very expensive equipment to upgrade their technology. Well, most PHAs do not have a structure in place to safeguard very expensive portable equipment like iPhones and laptops as they never had to provide for these items before.

So those three topics really have brought this conversation to light.

Thank you for that. Rich, you've named a lot of important factors that have coalesced over the past three years. You noted that the pandemic caused a lot of people to work remotely, and because of that, public housing authorities needed to have new equipment and change many of their protocols.

### **Four Areas of Risk for PHAs**

[00:04:37] **Michael Novogradac, CPA:** You also mentioned an influx of pandemic relief funds that needed to be spent within a short period of time. And on top of that, you also mentioned that many RAD projects were put on hold, or at least slowed down to a snail's crawl, and they're now in a tight timeframe to be completed.

So these are the factors that help, really help set the stage. We're talking about why many public housing authorities are at this inflection point where they should be re-examining their processes and identifying their areas of risk. So, broadly speaking, what would you say are the main risk areas for fraud public housing authorities should be focused on monitoring?

[00:05:20] **Rich Larsen, CPA:** You know, Mike, my opinion is that there are probably four main areas of concern for PHAs when it comes to fraud. One would be rent collection building materials and related expenses. As we mentioned, the RAD process safeguarding physical assets. And, of course, cyber fraud, which is becoming a, a huge problem in society.

[00:05:49] **Michael Novogradac, CPA:** Yeah, that cyber fraud certainly is. So, just to recap, you said rent collections, building materials, the physical assets of the housing authority as well as digital assets that are at risk of, or it could be lost through cyber fraud. So how would you rank those four in order of how commonly you see issues with respect to each of those categories as an auditor?

[00:06:18] **Rich Larsen, CPA:** Great question, Mike. Given the high volume of transactions and the decentralization of certain assets, fraud regarding rent collection and the theft of physical assets are the most common fraud that I see in PHAs today. However, if you're looking at what is a PHA's greatest exposure in terms of dollar value, cyber fraud and fraud regarding building materials could easily have the largest impact on a PHA as one instance of fraud alone could result in losses in the tens of thousands of dollars.

[00:06:58] **Michael Novogradac, CPA:** Yeah. Tens of thousands or much more.

[00:07:01] **Rich Larsen, CPA:** Yes. Yes, absolutely.

[00:07:03] **Michael Novogradac, CPA:** Whereas it seems like the first two, the rent collections and physical assets have a few, have less zeros per fraud event, potentially than the cyber fraud and building materials. So, let's unpack those four. I always like to go through each of these areas and, discuss each one sort of uniquely.

## Rent Collection

[00:07:31] **Michael Novogradac, CPA:** So, let's start with rent collection. What are the types of controls that public housing authorities can be enacting to better protect against fraud with respect to rent collection?

And let me also note, as we said in the intro, this isn't just for public housing authorities. It also applies to any entity that's collecting rent. And obviously we do a lot of work with low-income housing tax credit developers that would apply to them as well, and their property managers.

[00:07:56] **Rich Larsen, CPA:** That's right. And as you know, Mike, rent collection is generally decentralized.

That is, each development usually will have a central location whereby tenants pay or drop off their rent. Once rent is collected by a property manager, controls need to be in place to make sure that those funds are properly posted to the tenant's account and deposited with the PHA.

Accordingly, the duties of rent collection and posting should be segregated to prevent the potential for someone to misappropriate a rent payment, yet still record the rent payment as received by the PHA. And that really, I think during the pandemic was the biggest control, I think that was overlooked by housing authorities because all these people were working on their own and I think that control really was overridden and really shouldn't have been. And so as auditors, that's something that we're looking at when we're performing our annual audits.

But more importantly, this type of fraud can be prevented through a few simple controls. Property managers that receive rent payments should never be able to adjust individual tenant accounts. They should only be able to record receipt of the payment through daily batch processing and only have access to tenants' accounts for query purposes. You know, that is account query enables the property manager to provide tenants with details concerning account rent or outstanding rent and late charges.

But it, most importantly, it does not allow the property manager to make changes to the tenant account. Also, the PHA's accounting system must be able to provide a computer-generated receipt for the tenant. In fact, I think PHA's should display a sign or notification stating that tenants who do not receive a receipt should contact the PHA's finance department immediately. Copies of deposit slips and checks received by the property manager should be provided daily to the finance department for recording and reconciliation of daily receipts.

And finally, Mike, tenant statements should be mailed or emailed at least monthly by the finance department. That enables tenants to know if they are delinquent or what happened to the payment that they made last week, for instance.

And most importantly, these procedures will not cost the PHA any more money, but undoubtedly, I think will result in more secure tenant collections.

[00:10:44] **Michael Novogradac, CPA:** It seems like the various suggestions that you make are all about segregation of duties and making sure that the tenant knows what the public housing authority thinks they received in terms of payments from the tenant.

[00:11:02] **Rich Larsen, CPA:** That's right. That's right. Yeah.

[00:11:03] **Michael Novogradac, CPA:** Yeah. It's almost like confirming them, the monthly statements. So what other steps do you think public housing authorities could take beyond the

segregation of duties in this kind of indirect confirmation approach, can they do to monitor rent payments?

[00:11:21] **Rich Larsen, CPA:** Sure. Because of the pandemic and PHAs working from home, we've seen tenant AR amounts at their highest level that I can remember and it has really negatively impacted a PHA's finances. I mean, listen, understandably, during the pandemic, we can see how that happened. However, in order to get those balances back down, finance departments need to hold property managers accountable for collection efforts.

We're recommending monthly meetings with property managers to review outstanding tenant AR reports. Amounts not getting collected need to be investigated, tenants need to be contacted and if necessary, put on a repayment agreement or ultimately turned over to the PHA attorney for eviction.

[00:12:16] **Michael Novogradac, CPA:** No, definitely. When you mentioned the high tenant AR, that's definitely something that the good news is it's been coming down.

[00:12:23] **Rich Larsen, CPA:** It has.

[00:12:25] **Michael Novogradac, CPA:** But it takes effort and focused effort to bring the AR down.

[00:12:32] **Rich Larsen, CPA:** That's correct.

## **Building Materials and Expenses**

[00:12:33] **Michael Novogradac, CPA:** So let's turn to the number two item on your list, and that was building materials and expenses. And this is one of the two that you mentioned along with sort of cyber fraud or digital asset risk that may not occur as often or as, or may not be as likely to occur, but when it does, it can be notably larger dollar amounts. So what are some of the fraud risk issues that you see with respect to building materials and expenses?

[00:13:03] **Rich Larsen, CPA:** Sure. Well, as you know, Mike, it's something we've talked about a lot on podcasts. PHAs have been repositioning their public housing stock and whether it's through RAD or Section 18, these options usually require the PHA to rehab their properties, which could result in the purchase of several hundred thousand dollars of materials such as lumber, appliances, fixtures, and other items.

PHAs need to have controls in place to avoid theft of property through individuals overordering materials, and also controls over the delivery or receipt of such materials. One solution that we talk about all the time is to hire an independent construction manager to review and sign off on all purchase orders and maintain strict budget controls.

Any variances from budget need to be reviewed and approved prior to ordering of materials. Additionally, I mean this may sound very, very elementary and simple, but all construction deliveries

need to be made only to the PHA site during normal business hours. Materials that are delivered should be reviewed and approved by an on-site supervisor.

[00:14:27] **Michael Novogradac, CPA:** So thank you for those tips. And are there additional ways that public housing authorities, in addition to what you've shared so far can be tracking building materials in expenses?

[00:14:39] **Rich Larsen, CPA:** Yeah. For construction contracts, we recommend a three-part PO system. That really works the best. One part of the PO goes to the vendor. One part stays with the construction manager when he signs off on it, and one part goes to finance. The PO that goes to finance should be input into a job cost system and tracked in real time against approved budgets. Budget-to-actual variances need to be investigated immediately. Mike, it is my experience that is a lot easier to recover funds from errors or irregularities when the job is in progress as opposed to several months after completion.

[00:15:26] **Michael Novogradac, CPA:** So you said a three-part PO system for construction contracts. So why don't you explain to our listeners what the letters PO stand for. What point in the process is that used?

[00:15:39] **Rich Larsen, CPA:** A PO system stands for, right, a purchase order system. So, in essence, when the construction budget is set up all the purchase orders will be generated based on the budget of that job.

And so the construction manager gets the POs and when the work is completed, he signs off on the PO, gives one copy to the vendor who provided the service or the materials, one goes to finance and he keeps one. And the most important aspect of that is that finance now in real time has that cost and can track that cost and any variance -- well, there should not be variances because we always like to have those POs preprinted and with the amount the vendor and the amount of the approved budget for that line item.

[00:16:38] **Michael Novogradac, CPA:** So thank you for that and it seems, and that all is going to happen at the very beginning, and then you're going to be measuring against what's actually happening along the way. And as you point out investigate variances and I presume if you have change orders to the construction contract, then you would expect there to be new purchase orders put in place.

[00:16:59] **Rich Larsen, CPA:** Absolutely. That's a great point, Mike. Yes. Any change order would generate a new purchase order and to get that approved purchase order out, you would have the proper approvals. That's a great point.

## Physical Assets

[00:17:12] **Michael Novogradac, CPA:** So, let's turn now to number three on your list and that's physical assets. Something that has a higher propensity or higher risk for fraud, but the dollar numbers aren't nearly as significant. And as part of that, I think it's worth reminding listeners what you mentioned earlier that the Coronavirus Aid Relief and Economic Security Act, the CARES Act of 2020 along with the Coronavirus Response and Consolidated Appropriations Act of 2021 CRCA both of those bills, provided much-needed economic assistance for public housing authorities and they also allowed for a wide range of expenditures to help housing authorities navigate the negative effects of COVID-19. And I think as you intimated or hinted at, many public housing authorities used that money to upgrade their technology so that employees could work remotely, so they could work at home.

Many of our public housing authority clients have hundreds of employees. And with a workforce of that size, many of which are working at home you had a lot more smartphones getting purchased, laptop computers, printers and other expensive technology that was being provided to employees during COVID.

What are some of the ways in which housing authorities can ensure that there isn't very much leakage where there's these types of assets.

[00:18:53] **Rich Larsen, CPA:** Well, Mike, with physical asset, with these type of technology assets, high-ticket items, very portable equipment, we really think it's important to have someone outside the IT department and the purchasing department to monitor and maintain accounting control over equipment. We recommend that all equipment over a certain dollar threshold is tagged in inventory. Information kept on file should include the name of the responsible person which has control over that asset, as well as you can have any other useful business information such as warranty info and date of purchase and things like that.

But the most important thing is to have accountability for the person who has control over that asset. And so we'll recommend that periodic surprise checks or counts of equipment occur. And that can happen simply by just requiring the responsible person to bring in that laptop or to bring in the iPhone to the central office where that equipment will be inspected, verified that it's still in use and then returned back to the employee for his use.

But it sends a signal that we're keeping control of these assets and that a thousand-dollar laptop is not going to go unaccounted for and it's not going to disappear, or an iPhone is not going to be given to someone's child to use and so forth.

[00:20:34] **Michael Novogradac, CPA:** And once again, similar to the first issue or item that we talked about with respect to rent collections the controls here rely heavily on segregation of duties in terms of breaking it away from not just the IT and purchasing departments having another department

involved. That's important. And then also the creating the documentation just like with materials, with materials having the PO and the different having three parts to it so three different groups are involved and doing the same thing here in terms of having a tracking system in place with multiple parties involved as part of that tracking system to increase the chance that if something's missing, it'll be identified as missing.

[00:21:23] **Rich Larsen, CPA:** That's right. And you know, we've seen in the past that IT departments had control over this whole process. I remember doing an audit not too long ago and there were boxes of laptops and of electronic equipment sitting in a room and really not a lot of control over it. And it was probably a hundred thousand dollars' worth of material sitting right there. And so, you really need to have control over that or you just lose that over time.

### **Cyber fraud**

[00:21:58] **Michael Novogradac, CPA:** So let's turn now to the fourth and final item on your list. And that has to do with digital assets or cyber fraud. And this is certainly the one that scares me the most in terms of how significant the cost can be. You know, we've talked about hardware but this cyber fraud's more about the software running on those devices, or in some cases, software that wasn't intended to be run on those devices that managed to be gotten onto those devices.

Maybe you could discuss how cyber fraud has affected public housing authorities more importantly, as well as the vulnerable populations that public housing authorities serve. And I'll just once again, influence, again, we're talking about cyber fraud here. This is something that is across public housing authorities, any type of business has to be hypersensitive to cyber fraud.

[00:22:53] **Rich Larsen, CPA:** Right. Exactly, Mike. And it's not only becoming a serious problem, not only with PHAs which HUD has taken notice of, but society as a whole. I have seen PHAs lose tens of thousands of dollars, actually six figures through cybertheft. And whether it be ransom or just some type of hijacking of a computer system, unfortunately I have seen that quite a bit recently.

And these fraudsters, Mike, they're highly educated that look to infiltrate a PHA's network through unsuspecting employees. A lot of times it's via email or through a common website. And as you know, most PHA's have computer network security. But that security is only as good as the employees working in that system. So combating cyber fraud needs to be done through extensive employee education, maintaining strict employee password protections. Employees cannot be giving out their passwords. They cannot have their password on a sticky underneath their keyboard which is what we see quite a bit.

And they really, employers need to limit access on work computers to social media and other non-essential work sites or non-essential websites. And with regard to residents, I mean, it really is unfortunate seniors and the poor are targets of cyber fraud as much as anybody. And so we've been

talking to PHAs about utilizing established tenant association meetings because they, all housing authorities have tenant associations. And so, we're talking to them about, hey, conducting essential sessions on cyber fraud for PHA residents. We've been a part of that. We've told them to bring their computer software vendors in and to give sessions on that just to educate residents who really don't have a lot of experience, are just getting experience, with iPhones and laptops and computers and letting them know the risks and to, and to stay off websites and to not answering emails.

[00:25:23] **Michael Novogradac, CPA:** Those are all great points, and I like the fact that you emphasized that the IT group could put all the hardware and programming in place to make the system more secure. But it's that stray email, that phishing expedition that really poses the greatest threat, or at least a pretty significant threat when the unsuspecting employee opens up that email and now you've got a problem.

[00:25:56] **Rich Larsen, CPA:** That's right. That's right.

[00:25:57] **Michael Novogradac, CPA:** And what I like that, and something that we do at Novogradac, as you know, are just having the IT department run phishing expeditions against your existing employees. It's something that if you have hundreds and hundreds of employees, inevitably, some employees will be opening them up and then it's like, OK, that employee needs to take a --

[00:26:26] **Rich Larsen, CPA:** That's right.

[00:26:27] **Michael Novogradac, CPA:** And then just keep running that quarterly or, you know, it's really a function of how many fish you catch when you're phishing.

[00:26:38] **Rich Larsen, CPA:** That's right.

[00:26:39] **Michael Novogradac, CPA:** If you catch a lot of fish, you need to phish more often and if you're not catching very, many kudos and then you just have to make your phishing a little bit harder to quickly discern.

And that's something that I think is really, it's something that's kind of easy to do. It kind of reminded me of when I worked in retail. The department stores would hire, shop, professional shoppers would come in and pretend to be buying something and then rate you as a salesperson on the type of customer service you have and such.

This is in some ways on that -- I don't know if you wanted to say about that topic.

[00:27:15] **Rich Larsen, CPA:** It's employee education. It's PHA resident education. As you informed, if you see that phishing email, you're going to recognize it when it really happens. And I can't emphasize that enough. I remember getting those getting those phishing emails that we did at Novogradac and

after a while, you really become educated as to what to look for. And so I think that's a great point, Mike.

[00:27:47] **Michael Novogradac, CPA:** It's easy to do and super effective.

So these are all great tips on safeguarding assets and I hope all of our listeners will listen to these and put a large portion in place and that will minimize the chance for broader loss of assets and the rest.

But as I also noted, it's no insurance against it happening and given the volume of activities and all the rest, fraud does happen. Abuse does happen.

### Steps to Take

[00:28:20] **Michael Novogradac, CPA:** So maybe you could share with our listeners what you would recommend they do if they discover a fraud.

[00:28:29] **Rich Larsen, CPA:** Sure. Mike. Yes, and you are correct. Unfortunately, we have had to perform services in the past for PHA clients that were victims of fraud. We'll perform a couple kind of services. One is called an agreed-upon procedure engagement, and this is whereby we would tailor a very specific procedure to identify and quantify the potential fraud, waste or abuse.

This process is the most cost effective for an organization and, usually, we'll perform this procedure when the PHA has identified the area or the department that the fraud has occurred, whether it's payroll or procurement. Because these services are very cost effective and can be conducted rather quickly these type of engagements, agreed-upon procedures engagements are most frequently performed when fraud is suspected. So, we'll do this type of thing much more often than fraud audits, which is something we also conduct. Fraud audits are usually larger-scale engagements that are performed when an organization may feel the potential fraud may be more pervasive throughout the organization.

A fraud audit may look to reconstruct certain situations and certain transactions to assist in quantifying the magnitude of the loss. When a housing authority says, I know, or an organization says, I know something happened. We really need to get a handle on it. We need to quantify it. We need to bring someone in, recreate these transactions, put the situations back together, start from scratch to figure out where we need to go from here, whether it be, do we need to call the prosecutor? The IG? Do we just need to let the board know? Do we need to just try to recoup the funds from an employee or whoever may have perpetrated the fraud.

[00:30:37] **Michael Novogradac, CPA:** Good points and good suggestions. And as I've noted, this is something that applies not just to public housing authorities. I've said this many times in the course of this podcast. All of the types of organizations suffer these risks. And it's not just inherent to affordable housing, community development and the rest. It's like they say, why do banks get robbed? Because

that's where the money is. Any organization with assets is at risk of some type of fraud if you have assets and/or employees.

And then you mentioned that you have done this yourself beyond public housing authorities, and that is the focus of your practice, but you also work for groups that aren't public housing authorities. So that is useful if you could describe situations you may have seen with non-public housing authorities or maybe some more universal takeaways that would apply to all types of entities.

[00:31:36] **Rich Larsen, CPA:** Sure, Mike. And, and yes, unfortunately, we have had to provide these services for non PHAs, developers, property management companies, certain nonprofit agencies. It's just a part of the business that we're in. We've seen things like fictitious vendors and the washings of checks and things like that. But although there's a lot of different scams out there. I would like to add though that an organization's greatest asset in preventing fraud is without a doubt the organization's own employees.

If a fraud is taking place in an organization, undoubtedly, someone else other than the fraudster knows about it no matter what it is. And most employees at an organization, if encouraged to report instances of fraud, waste and abuse will do so if provided a mechanism to do it anonymously, and, of course, without the fear of repercussion.

This can be achieved through an anonymous tip line monitored by a third party or an internal system that provides for secure written communication. A lot of housing authorities, I've seen little drop boxes where you can put a little message in a box that gets unlocked by a board member, someone independent of the finance process.

These systems are relatively easy to set up, inexpensive, and very, very effective. Mike, you know, I've also found that organizations and you'd think every organization would have this going for them, but organizations that set the proper tone at the top, proper tone with management that is letting employees know that the organization will not tolerate fraud, that we encourage the reporting of fraud, and we constantly educate employees on finding fraud. And that the organizations that do that are the ones least victimized by fraud.

[00:33:48] **Michael Novogradac, CPA:** That makes total sense. Obviously, tone at the top is important for any organization in so many ways. I also like your point about the tip lines, and there are so many different, different ways in which you can have anonymous tip lines or ways in which for tips to be reported anonymously. And as you know, we at Novogradac have multiple avenues for that. So that, and then constantly letting employees know about it so that there's a vehicle for them. It's just something that every organization should be having. And once you set it up, the monitoring of it's pretty easy and it's not that hard to set up. So it seems like that's an easy one for every organization to say, yes, we need to do that.

[00:34:40] **Rich Larsen, CPA:** I agree. Absolutely, Mike.

## Preview

[00:34:43] **Michael Novogradac, CPA:** So Rich, I appreciate you joining me and talking about the four key areas of fraud with respect to public housing and other types of agencies. And there's obviously a lot more, this isn't as expansive and exhaustive as we'd like it to be. It's a limited podcast. I know that you were more targeted, so certainly our listeners should know that there's a lot more under the hood and they should feel free to reach out to you. I ask that you stick around for our Off-Mike Section at the end where I get to ask you some off-topic questions so you can give some advice or recommendations to me and our listeners.

And as I was sharing with Rich, this goes out to our listeners. Rich is a valuable resource when it comes to challenges PHAs face, not just with respect to fraud and protecting assets. He's a wealth of knowledge about all things public housing related, particularly with respect to the Rental Assistance Demonstration program or RAD. I will include his email address in the show notes for this week's episode, and I encourage you to reach out to him with any questions.

And before we get to the Off-Mike Section, I did want to look ahead to next week briefly. Next week, we're going to delve into historic tax credits. And we're going to unpack the two types of structures that are generally used, the single-tier and the pass-through lease structure.

I'll be joined by my partner, John DeJovine. As you may know, under the single-tier structure, a historic tax credit investor invests directly into the entity that owns and renovates the historic property and generates the tax credits. And then under the pass-through lease structure, the developer generally forms an entity to own and renovate the historic property. But the tax credit investor invests in a separate entity that leases the property from the ownership entity and then the historic tax credits are passed through the lease from the entity that owns the property to the entity that's leasing the property.

My partner, John DeJovine, will join me on the podcast and he'll discuss both structures and I'd say more importantly, he will discuss the key factors that developers should consider in deciding which of the two structures will optimize the amount of net equity that the developer receives from a historic tax credit investor.

## Off-Mike Section

[00:37:15] **Michael Novogradac, CPA:** So now let's turn to our Off-Mike Section where I get to ask guests some off-topic advice and speak their words of wisdom. So, no pressure. No pressure, no pressure. And one thing that I appreciate about Rich is his skill as a public speaker. So with that in mind, I wanted to ask you, Rich, one tip that you have for our listeners to improve their skills as public speakers.

[00:37:41] **Rich Larsen, CPA:** Oh, thank you, Mike, for the question and thank you for the compliment. I do appreciate that. I think, first and foremost public speakers really just need to be comfortable with the subject matter. When you're comfortable with the subject matter, you come across as relaxed and knowledgeable, and the conversation will usually be fluid and not sound rehearsed or memorized.

We do several conferences every year. I've co-chaired a couple of them, and when I look for speakers, we get résumés all the time. Everybody wants to speak at Novogradac conferences. And I look for truly the expert in the topic we're talking about because I know that expert will bring value and will not have to study and memorize facts about the topic, will be fluid and will be relaxed and will bring value to our audience.

[00:38:44] **Michael Novogradac, CPA:** That's a great tip. I always remember what my father told me one time. He said it's one thing to know something and you can know something well enough to pass an exam and operate and such, and to be considered an expert. But to be able to teach it?

[00:39:04] **Rich Larsen, CPA:** Right? That's right.

[00:39:06] **Michael Novogradac, CPA:** You really know something to be able to teach it. So that's a great point. So I wanted to continue with these tips for improvement. One of the themes of my questions that I ask are tips for improvement when I'm not asking about what I should binge watch next. So what are some tips that you would have, or at least a tip, stay away from, like the best tip and all the rest, because, right, then it becomes, OK, well how you going to define best and all those sorts of things, but a tip to help people improve themselves in their careers.

So I didn't phrase that very articulately there. I must not be a very good public speaker. I need to --

[00:39:52] **Rich Larsen, CPA:** It's tough. Improve themselves and improve their careers. You know, at Novogradac --

[00:40:03] **Michael Novogradac, CPA:** Let me reframe, maybe reframe my question. Give me a lesson that your job has taught you that you think everyone should learn at some point in their life.

[00:40:14] **Rich Larsen, CPA:** Yeah, so with, with my job, as you know, we get résumés from some of the brightest students, from some of the brightest professionals across the country. And while I find that so important, what I try to find in somebody when I hire someone from my office is I just try to find good people. You know, listen, they have to be smart. They have to have good experience. But I really try to find good people that take pride in what they do and so I'll try to get a sense of who they are as a person.

Because we are in a service business, our success depends on delivering great client service. And I have found that those type of people, good quality people that take pride in what they do are the best service

providers. And so that's what I look for. That is my tip to our listeners. I hope that's worth it. That has worked for me in the past.

[00:41:31] **Michael Novogradac, CPA:** Well, that's a great tip. You've been very successful. So it shows you that that tip really does have impact.

[00:41:37] **Rich Larsen, CPA:** Thanks, Mike.

[00:41:39] **Michael Novogradac, CPA:** So let me just say thank you again, Rich, for joining us. And to our listeners, I'm Michael Novogradac. Thanks for listening.

## Additional Resources

### Email

[Rich Larsen](#)