

**HOUSING AUTHORITY  
OF THE CITY OF RICHMOND**

**SINGLE AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2008**

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OF THE CITY OF RICHMOND**

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**HOUSING AUTHORITY  
OF THE CITY OF RICHMOND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2008**

**Section I—Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?            yes       x       no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?       x       yes                    none reported

Noncompliance material to financial statements noted?

           yes       x       no

**Federal Awards**

Type of auditor's report issued on compliance for major programs:

Unqualified

Internal control over major programs:

- Material weakness(es) identified?            yes       x       no
- Significant deficiency(ies) identified that are not considered to be material weaknesses       x       yes                    none reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

      x       yes                    no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.871

Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between Type A and type B programs:

\$656,790

Auditee qualified as low-risk auditee?

      x       yes                    no

## **Section II – Financial Statement Findings**

Our audit disclosed significant deficiencies but no material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated December 19, 2008 which is an integral part of our audits and should be read in conjunction with this report.

## **Section III – Federal Award Findings and Questioned Costs**

### **Current Year Findings and Questioned Costs**

#### **Finding 08-01: Utility Allowance**

**Program Affected: Section 8 Housing Choice Vouchers (CFDA#14.871)**

According to the regulations in 24 CFR section 982.517 and the Administration Plan, Chapter 16, part II-C, the Authority must review the Utility Allowance Schedule annually and must adjust it if there has been a rate change of 10% or more for a utility category or fuel type since the prior utility allowance schedule was revised. We reviewed the Authority's Utility Allowance Schedule and noted that it had not been revised since July 1, 2001. Utility rates have fluctuated dramatically since then and it is likely that adjustments should be made. This issue was noted in our prior year Finding 07-03.

We are aware that the Authority has completed a Utility Allowance Survey and Study, but has not adopted the new utility schedule. We suggest the Authority adopt the new utility schedule as soon as possible to comply with regulations.

#### **Management Response and Planned Corrective Actions:**

The Housing Authority adopted the new Utility Allowance Schedule on April 21, 2009.

#### **Finding 08-02: Reasonable Rent Certification**

**Program Affected: Section 8 Housing Choice Vouchers (CFDA#14.871)**

Per 24 CFR sections 982.4, 982.54(d)(15), 982.158(f)(7), and 982.507, the Authority must document that rents paid to owners are reasonable. Twenty-three of the forty selected samples did not have reasonable rent certifications documented. The Authority should ensure that all reasonable rent certifications are completed and retained in the files.

#### **Management Response and Planned Corrective Actions:**

The Housing Authority will ensure that all rent reasonable certifications are completed and retained in the files. Quality control measures will be implemented and reviewed by appropriate staff.

#### **Finding 08-03: Annual Reexamination**

**Program Affected: Section 8 Housing Choice Vouchers (CFDA#14.871)**

Per 24 CFR section 982.516, the Authority must reexamine family income and composition annually and adjust the tenant rent and housing assistance payment as necessary using third party verification of income. Of the forty files selected for testing, one did not have third party verification of income. The Authority should ensure that annual reexaminations are completely documented for all tenants.

**Management Response and Planned Corrective Actions:**

The one file that was missing the third party verification has been completed and quality control measures will be implemented and reviewed by appropriate staff.

**Finding 08-04: Annual Housing Quality Standards Inspection**

**Program Affected: Section 8 Housing Choice Vouchers (CFDA#14.871)**

According to the regulations in 24 CFR sections 982.158(d) and 982.404(b), the Authority must inspect units at least annually to determine if they meet Housing Quality Standards (HQS) and if necessary, re-inspections must be performed. We selected forty tenant files for compliance testing and noted three did not have annual inspections completed in the fiscal year 2008. The Authority should ensure that annual inspections are conducted and documented for all units. This issue was noted in our prior year Finding 07-01.

**Management Response and Planned Corrective Actions:**

The annual inspection for the three files will be completed during fiscal year 2009. File maintenance protocols will be reviewed and revised to ensure inspections are performed on an annual basis.

**Finding 08-05: Physical Control of Tenant Files**

Currently the Tenant Files are not stored in a secure location. These files contain the tenant's name, address social security number and bank statements. This sensitive information should be stored in a way to limit access and risk to the tenants.

**Management Response and Planned Corrective Actions:**

The Housing Authority has re-arranged the administration office to designate a secure area for all Section 8 files. All files are currently located in this area.

## **Section IV - Status of Prior Year Findings and Questioned Costs**

**Prepared by Management**

### **Finding 07-01: Annual Housing Quality Standards Inspection**

**Program Affected: Section 8 Housing Choice Vouchers (CFDA#14.871)**

According to the regulations in 24 CFR sections 982.158(d) and 982.404(b), the Authority must inspect units at least annually to determine if it meets Housing Quality Standards (HQS) and if necessary, re-inspections must be performed. We selected thirty tenant files for compliance testing and noted four did not have annual inspections completed in the fiscal year 2008. The Authority should ensure that annual inspections are conducted and documented for all units. This issue was noted in our prior year Finding 06-4.

#### **Current Status:**

See Finding 08-04 above.

### **Finding 07-02: Failed Housing Quality Standards Enforcement**

**Program Affected: Section 8 Housing Choice Vouchers (CFDA#14.871)**

According to the regulations in 24 CFR sections 982.158(d) and 982.404, the Authority must take the appropriate actions to enforce and correct cited HQS deficiencies for units under housing assistance payment contracts

Out of thirty units selected for Housing Quality Standards compliance testing, we noted one unit failed the Annual Inspection twice. However, there was no evidence that a third re-inspection was scheduled or conducted. We also selected seven units from the Failed Inspections list and noted one unit failed the annual and re-inspections four times and had not passed the HQS standards within the allotted 30 days. There was no evidence that a fifth re-inspection was scheduled or conducted. The Authority should make sure that all units with failed inspections are re-inspected within thirty days of fail date. This issue was noted in our prior year Finding 06-7.

#### **Current Status:**

This deficiency has been corrected with program staff being required to submit monthly status reports of all open outstanding inspections to the Executive Director along with a report from the administrative supervisors on the follow-up action status.

**Finding 07-03: Utility Allowance**

**Program Affected: Section 8 Housing Choice Vouchers (CFDA#14.871)**

According to the regulations in 24 CFR section 982.517 and the Administration Plan, Chapter 16, part II-C, the Authority must review the Utility Allowance Schedule annually and must adjust it if there has been a rate change of 10% or more for a utility category or fuel type since the prior utility allowance schedule was revised. We reviewed the Authority's Utility Allowance Schedule and noted that it had not been revised since July 1, 2001. Utility rates have fluctuated dramatically since then and it is likely that adjustments should be made. This issue was noted in our prior year Finding 06-2.

We are aware that the Authority has completed a Utility Allowance Survey and Study, but has not adopted the new utility schedule. We suggest the Authority adopt the new utility schedule as soon as possible to comply with regulations.

**Current Status:**

See Finding 08-01 above.

**Finding 07-04: Family Report Completion**

**Program Affected: Section 8 Housing Choice Vouchers (CFDA#14.871)**

HUD requires that a Housing Authority complete form HUD-50058, Family Report anytime the Authority completes admission, annual reexamination, interim reexamination, portability move-in, or other changes of a unit for a family. We reviewed 30 tenant files and noted one did not include a Family Report after a reexamination dated 5/16/07 occurred.

The Authority should ensure all required reports are completed and documented as required.

**Current Status:**

The senior level manager is responsible for conducting the quality control analysis to ensure all required documentation is completed and transmitted to HUD within time frame for HUD-50058 reporting.

HOUSING AUTHORITY OF THE CITY OF RICHMOND  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Federal Department / Program Name	Catalog of Federal Domestic Assistance Number	Program Expenditures
<b>Department of Housing and Urban Development:</b>		
Low-Income Housing Program	14.850	\$1,547,560
Public Housing Capital Fund Program	14.872	1,555,013
Demolition and Revitalization of Severely Distressed Public Housing (HOPE VI)	14.866	2,229,684
Section 8 Programs Housing Choice Voucher	14.871	<u>16,560,736</u>
<b>Total Expenditures of Federal Awards</b>		<u><u>\$21,892,993</u></u>

See Notes to Schedule of Expenditures of Federal Awards

**HOUSING AUTHORITY OF THE CITY OF RICHMOND**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Year Ended June 30, 2008**

***Note 1-Reporting Entity***

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the Authority and its component units as disclosed in the notes to the Basic Financial Statements.

***Note 2-Basis of Accounting***

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

***Note 3-Direct and Indirect (Pass-Through) Federal Awards***

Federal awards may be granted directly to the Authority by a federal granting agency or may be granted to other government agencies which pass-through federal awards to the Authority. The Schedule includes both of these types Federal award programs when they occur.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners  
Housing Authority of the City of Richmond  
Richmond, California

We have audited the basic financial statements of the Housing Authority of the City of Richmond as of and for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***Internal Control over Financial Reporting***

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies. We did communicate these matters to the Board of Commissioners in our separate Memorandum on Internal Controls dated December 19, 2008.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiencies described in the accompanying findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mage Associates*

December 19, 2008

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners  
Housing Authority of the City of Richmond  
Richmond, California

### ***Compliance***

We have audited the compliance of the Housing Authority of the City of Richmond with the types of compliance requirements described in the U.S. Office of Management and Budget (*OMB Circular A-133 Compliance Supplement*) that are applicable to each of its major federal programs for the year ended June 30, 2008. The Authority's major federal programs are identified in Section I - Summary of Auditor's Results included on the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in Section III - Federal Award Findings and Questioned Costs.

### ***Internal Control over Compliance***

The management of the Authority is responsible for establishing and maintaining effective internal controls over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Authority's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider as material weaknesses, as defined above.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the business type activities and aggregate discretely presented component unit of the Authority as of and for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

*Mage-Associates*

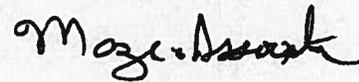
December 19, 2008

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## **REPORT ON SCHEDULE OF COMPLETED CAPITAL FUND PROJECTS**

Board of Commissioners  
Housing Authority of the City of Richmond  
Richmond, California

We have audited the financial statements of the business type activities and aggregate discretely presented component unit of the Authority as of and for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Schedule of Completed Capital Fund Projects is presented for the purpose of additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



September 14, 2009

**RICHMOND HOUSING AUTHORITY  
SCHEDULE OF COMPLETED CAPITAL FUND PROJECTS**

Project Length Data Through June 30, 2008

<u>Award Number</u>	<u>Funds Awarded and Advanced</u>	<u>Funds Expended</u>	<u>Remaining Unexpended Funds</u>
CA39P010707-98	\$1,389,129.00	\$1,389,129.00	\$0.00
CA39P010708	1,584,004.00	1,584,004.00	\$0.00
CA39P01050100	1,469,802.00	1,469,802.00	\$0.00
CA39P01050101	1,502,785.00	1,502,785.00	\$0.00
CA39P01050203	235,302.00	235,302.00	\$0.00
CA39P01050102	1,413,351.00	1,413,351.00	\$0.00
CA39P01050103	1,097,293.00	1,097,293.00	\$0.00
CA39P01050104	734,128.50	734,128.50	\$0.00

See Accompanyng Auditor's Report.