

**HOUSING AUTHORITY
OF THE CITY OF RICHMOND**

**SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2007**

MEMBERSHIP LIST
OF THE CITY OF RICHMOND
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2007

MAE &
ASSOCIATES

**HOUSING AUTHORITY
OF THE CITY OF RICHMOND**

**SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2007**

REPORT OF THE
COMMISSIONER OF THE
DEPARTMENT OF
CORRECTIONS
FOR THE YEAR
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**HOUSING AUTHORITY
OF THE CITY OF RICHMOND**

**SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2007**

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HOUSING AUTHORITY
OF THE CITY OF RICHMOND

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

We are required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*, to present an overview of the Single Audit which is presented below.

We have audited the basic financial statements of the Housing Authority of the City of Richmond, California, for the year ended June 30, 2007 and have issued our unqualified report thereon dated December 12, 2007. These basic financial statements are the responsibility of Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States and the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non profit Organizations*. We performed a Single Audit as requested by the Authority to comply with the provisions of the Single Audit Act as amended in 1996 and OMB A-133.

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

Noncompliance material to financial statements noted? yes 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

_____ yes x 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:

\$607,659

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 did communicate these matters to the Board of Commissioners in our separate Memorandum on Internal Controls dated December 12, 2007.

Section III – Federal Award Findings and Questioned Costs

Current Year Findings and Questioned Costs

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 2007. 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.

Management Response and Planned Corrective Actions:

The Housing Authority is committed to attaining 100% compliance with this federal requirement. The four files will be reviewed to determine whether inspections were misfiled or just not scheduled in a timely manner. File maintenance protocols will be reviewed and revised to ensure inspections are performed on an annual basis.

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.

Management Response and Planned Corrective Actions:

The two units that twice failed its annual inspections and the seven units from the Failed Inspections List will be reviewed and corrected. To correct these deficiencies, program staff is now required to submit monthly status reports of all open and outstanding inspections for immediate follow-up by the administrative supervisor.

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.

Management Response and Planned Corrective Actions:

The Housing Authority will adopt the new Utility Allowance Schedule during fiscal year 2008-2009.

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.

Management Response and Planned Corrective Actions:

Each Program Specialist Case Manager is required to submit a monthly progress activity report to the senior level manager. The senior level manager will conduct a quality control analysis to ensure all required documentation is complete and transmitted to HUD within the appropriate time frame for HUD-50058 reporting.

Section IV - Status of Prior Year Findings and Questioned Costs

Prepared by Management

Finding 06-1: Compensation time hours

Program Affected: Low Income Public Housing Grant (CFDA#14.850)

During the payroll testing, we selected one employee who worked for the Low Income Public Housing Grant for testing. When we compared the payroll check-stub with the time sheet of this employee for pay period ending November 8, 2005, we noted that the balance of compensation time was overstated by 1.25 hours. The Authority should make sure that timesheet are entered into the payroll system properly.

Current Status: Implemented

Finding 06-2: Unrevised Utility Allowance Schedule

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

According to 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 its schedule if there has been a rate change of 10% or more for a utility category or fuel type since the last time the utility allowance schedule was revised. We reviewed the Richmond Housing Authority's Utility Allowance Schedule and noted that the Utility Allowance Schedule has not been revised since July 1, 2001. Utility rates have fluctuated dramatically since then and it is unlikely that utility rates did not change by more than 10% since July 1, 2001. The authority should review and update the Utility Allowance Schedule as soon as possible in order to make sure that utility allowance are calculated correctly.

Current Status: See current year finding 07-03.

The new utility allowance schedule has been implemented. The rates determined in February 2007 are now considered dated and a contract to update the utility allowance has been issued.

Finding 06-3: Missing Unit Inspection and Rent Certification

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

We selected thirty tenant files for testing. One of the tenants was admitted into the program and issued a housing assistance payment (HAP) voucher on December, 21, 2005. However, there was no record of any unit inspection or reasonable rent certification on file. Both unit inspection and reasonable rent certification must be completed before a HAP voucher is issued. The authority should make sure that all required unit inspections and reasonable rent determination are completed and documented before the HAP voucher is issued to the tenant.

Current Status: Implemented

Finding 06-4: Annual Housing Quality Standards Inspection

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

According to 24 CFR sections 982.158(d) and 982.404(b) the Authority must inspect the unit leased to a family at least annually to determine if the unit meets Housing Quality Standards (HQS) and if necessary, must conduct quality control re-inspections. We selected thirty tenant files for testing. One of the tenant files we selected showed that the latest HQS inspection was conducted on June 9, 2005, which is more than a year and half ago. The Authority should make sure that annual HQS inspection are conducted and documented for all units.

Current Status: See current year finding 07-01.

Finding 06-5: New Admissions Documentation

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

One of the five new admissions selected for testing was not a new tenant. The tenant has been in the program since April 15, 2004. The tenant was classified in the system as a new tenant instead of a transfer/move tenant. The Authority has been coding tenant moves as new admissions. The Authority should make sure that all information coding to the system are coded correctly.

Current Status: Implemented

Finding 06-6: Missing Files

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

We selected thirty tenant files for testing. The authority could not locate 2 of the tenant files for our testing. The authority should make sure that all tenant files and documentation are kept properly.

Current Status: Implemented

Finding 06-7: Failed Housing Quality Standards Enforcement

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

According to 24 CFR sections 982.158(d) and 982.404, for units under HAP contract that fails to meet HQS, the Authority must take the appropriate actions to enforce and correct cited HQS deficiencies. However, we could not determine whether the Authority documented enforcement of the HQS for failed inspections because the Authority could not provide us a listing of units with failed HQS inspections for us to perform any testing. The Authority should make sure that a listing of units that failed HQS inspections are kept current.

Current Status: See current year finding 07-02.

Findings from U.S. Department of Housing and Urban Development (HUD)

The following 5 findings were provided by HUD as a result of a HUD's Rental Integrity Monitoring (RIM) review conducted during the period September 25 to September 28, 2006.

Finding 06-8: Improper Transfer of Data from File to Multifamily Tenant Characteristics System (MTCS)

**Programs Affected: Section 8 Housing Choice Vouchers (CFDA#14.871)
Public Housing Program (CFDA # 14.850)**

There were improper or inaccurate transfers of data from file to HUD's Multifamily Tenant Characteristics System (MTCS). The Authority should make sure that data are reviewed carefully to ensure that data transmitted to the MTCS are accurate.

Current Status: Implemented

Finding 06-9: Miscalculation of deductions

Program Affected: Public Housing Program (CFDA # 14.850)

The Authority miscalculated or applied inaccurate medical deductions which resulted in incorrect amount of tenant rent paid. The Authority should make sure that all medical deductions are calculated correctly and reviewed

Current Status: Implemented

Finding 06-10: Incorrect Tenant Rent

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

The Authority miscalculated income, assets and/or utility allowances. In most cases staff made calculation errors in annualizing the figures as prescribed by HUD, by either using the wrong data or failing to include data provided. The Authority should correct the calculations noted in HUD's review and make adjustments to HAP and/or tenant rent and repayments as appropriate. The Authority should require all tenant rent calculations be reviewed for accuracy before the data is entered into MTCS.

Current Status: Implemented

Finding 06-11: Lack of Proper Verification of Income, Assets and/or Deductions

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

This finding was provided by the U.S. Department of Housing and Urban Development (HUD) as a result of HUD's Rental Integrity Monitoring (RIM) review during the period September 25 to September 28, 2006.

Many of the files reviewed by HUD did not contain evidence of Authority staff attempts to request third party written verification before relying on family-supplied documents, as required by HUD regulations. The Authority should ensure that the files contain proper documentation of attempts to obtain third party verifications.

Current Status: Implemented

Finding 06-12: Misapplication of Payment Standard Schedule
Program Affected: Section 8 Housing Choice Vouchers (CFDA#14.871)

In several cases, the Authority staff applied the incorrect payment standard schedule (PSS). The Authority should develop a quality control review system to review files to correct application of payment standards. The Authority should review payment stand updates with staff and instruct the staff involved on timing of implementation. The Authority should also determine which families suffered an increase in tenant rent prematurely and make adjustments to tenant rent and repayments, as applicable to each situation.

Current Status: Implemented

HOUSING AUTHORITY OF THE CITY OF RICHMOND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

| Federal Department / Program Name | Catalog of Federal Domestic Assistance Number | Program Expenditures |
|---|---|----------------------------|
| Department of Housing and Urban Development: | | |
| Low-Income Housing Program | 14.850 | \$905,479 |
| Public Housing Capital Fund Program | 14.872 | 1,463,612 |
| Demolition and Revitalization of Severely Distressed Public Housing (HOPE VI) | 14.866 | 1,910,444 |
| Section 8 Programs Housing Choice Voucher | 14.871 | <u>15,975,769</u> |
| Total Expenditures of Federal Awards | | <u><u>\$20,255,304</u></u> |

See Notes to Schedule of Expenditures of Federal Awards

HOUSING AUTHORITY OF THE CITY OF RICHMOND
 SCHEDULE OF EXPENDITURES OF FEDERAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2007

| Program Name | Fiscal Year | Amount |
|---|-------------|-------------------|
| Section 3 Program Housing Choice Voucher | 14,871 | 1,247,109 |
| Demolition and Rehabilitation of Severely Distressed Public Housing (HOME VI) | 14,800 | 4,010,144 |
| Public Housing Capital Fund Program | 14,812 | 1,403,019 |
| Low Income Housing Program | 14,830 | 23,074,479 |
| Total Expenditures of Federal Funds | | <u>29,734,751</u> |

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See Notes to Schedule of Expenditures of Federal Funds

HOUSING AUTHORITY OF THE CITY OF RICHMOND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
NOTES TO THE SCHEDULE OF EXPENDITURES OR FEDERAL AWARDS

Note 1 - Reporting Basis

The Schedule of Expenditures 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 revenue and expenditures or expenses are recognized in the accounts and reported to the financial statements, regardless of the measurement period applied. All properly billed and accounted for costs are reported in the current period of accounting. Expenditures of federal awards reported on the Schedule are reported on a cash basis.

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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 of federal award programs when they occur.

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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, 2007, and have issued our report thereon dated December 12, 2007. 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 12, 2007.

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.



December 12, 2007

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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, 2007. 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, 2007. 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 governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Authority as of and for the year ended June 30, 2007, and have issued our report thereon dated December 12, 2007. 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 the 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.

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December 12, 2007

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.

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 responses and accordingly, we express no opinion on it.

The 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.

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December 13, 2007

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