

**HOUSING AUTHORITY
OF THE CITY OF RICHMOND**

**SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2006**

FOR THE YEAR ENDING 31ST MARCH 2014
SPECIAL AUDIT REPORT
OF THE CITY BRISTOL
MAYORAL AUTHORITY

MAZE &
ASSOCIATES

**HOUSING AUTHORITY
OF THE CITY OF RICHMOND**

**SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2006**

HOUSING AUTHORITY OF THE CITY OF RICHMOND

**SINGLE AUDIT REPORT
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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 (Authority), California, for the year ended June 30, 2006 and have issued our unqualified report thereon dated February 16, 2007. These basic financial statements are the responsibility of the 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 X no

- Reportable conditions(s) identified that are not considered to be material weaknesses?

 yes X none reported

Noncompliance material to financial statements noted?

 yes X no

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

The audit was conducted by the Office of Inspector General and Robert L. Smith, CPA, Director of the Office of Inspector General. The audit was conducted in accordance with the provisions of the Federal Acquisition Regulation (FAR) and the Federal Acquisition Regulation (FAR) Supplement. The audit was conducted in accordance with the provisions of the FAR and the FAR Supplement. The audit was conducted in accordance with the provisions of the FAR and the FAR Supplement.

We have audited the basic financial statements of the Federal Acquisition Regulation (FAR) and the Federal Acquisition Regulation (FAR) Supplement for the year ended June 30, 2012, and have issued our unqualified report thereon. In addition, we have audited the basic financial statements of the FAR and the FAR Supplement for the year ended June 30, 2012, and have issued our unqualified report thereon. In addition, we have audited the basic financial statements of the FAR and the FAR Supplement for the year ended June 30, 2012, and have issued our unqualified report thereon.

We conducted our audit in accordance with the provisions of the FAR and the FAR Supplement. We conducted our audit in accordance with the provisions of the FAR and the FAR Supplement. We conducted our audit in accordance with the provisions of the FAR and the FAR Supplement. We conducted our audit in accordance with the provisions of the FAR and the FAR Supplement.

Section 1 - Summary of Findings

Findings	Materiality	Control	Type of finding
Noncompliance with FAR provisions	Yes	Yes	Unqualified
Reporting exceptions to FAR provisions	Yes	Yes	Unqualified
Material weaknesses identified	Yes	Yes	Unqualified
Internal control over financial reporting	Yes	Yes	Unqualified

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
- Reportable condition(s) 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:

<u>CFDA Number(s):</u>	<u>Name of Federal Program or Cluster:</u>
<u>14.850</u>	<u>Low Income Housing Program</u>
<u>14.872</u>	<u>Public Housing Capital Fund Program</u>
<u>14.866</u>	<u>Demolition and Revitalization of Severely Distressed Public Housing (HOPE VI)</u>
<u>14.900</u>	<u>Lead-based Paint Hazard Control</u>
<u>14.871</u>	<u>Section 8 Housing Choice Vouchers</u>

Dollar threshold used to distinguish between type A and type B programs: \$971,404

Auditee qualified as low-risk auditee? yes X no

Type of audit or report issued on compliance for major programs

Internal control over major programs

Material weakness(es) identified?

yes no

Significant deficiencies identified that are not considered to be material weaknesses

yes none reported

Are audit findings discussed first and separately in the report in accordance with section 203(a) of OMB Circular A-133?

yes no

Identification of major programs

CYBA Number	Name of Federal Program or Cluster
14-830	Law Enforcement Training Program
14-872	Public Housing Capital Fund Program
14-866	Definition and Revision of security Distressed Public Housing (DHPH)
14-900	Land Parcel and Hazard Control
14-871	Section 8 Housing Choice Vouchers

Order numbers used to distinguish between lines A and B programs

1071-001

Agency qualified as low-risk auditee?

yes no

Section II – Financial Statement Findings

There were no findings required to be reported under Generally Accepted Government Auditing Standards.

However we did communicate other matters to the Authority Board in our separate Memorandum on Internal Controls dated February 16, 2007.

Section III – Federal Award Findings and Questioned Costs

Current Year Findings and Questioned Costs

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.

Management Response:

Although the amount of the overstated 1.25 hours in compensation time is not material and could have been due to rounding errors between payroll systems, the Authority has implemented balancing procedures to reconcile time entry for timesheets and the payroll registers received from the City of Richmond Finance Department.

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.

Management Response:

The Authority did issue a contract with the Nelrod Company to conduct an Energy Audit and revised Utility Allowance Schedule, which was completed in February 2007.

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.

Management Response and Planned Corrective Actions:

Housing Choice Voucher administration processes are being reviewed and file maintenance protocols will be revised to address this concern. This effort will commence immediately and will be completed by April 1, 2007. Mr. Donnie Bell will be the responsible person.

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.

Management Response and Planned Corrective Actions:

This finding has been noted in our RIM Review and Confirmatory Review conducted by HUD. Measures to address this finding are outlined in the Corrective Action Plan submitted to HUD and will be completed by April 1, 2007. Mr. Donnie Bell will be the responsible person.

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.

Management Response and Planned Corrective Actions:

The Authority has currently completed a review of all HCV MTCS tenant data submitted to HUD. Several errors have been identified and corrected. Proper coding was a problem, which has now been resolved. As of January 2007, the Authority's MTCS reporting rate is above 98%.

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.

Management Response and Planned Corrective Actions:

File maintenance protocols have been reviewed and revised to ensure that all files are properly maintained and the documentation included therein is easily located.

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.

Management Response and Planned Corrective Actions:

We disagree with a portion of this finding. Whereas, proper HQS enforcement has been ongoing, adequate documentation should be improved. The Authority will revise our policies in response to this finding immediately and will be completed by April 1, 2007. Mr. Donnie Bell will be the responsible person.

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.

Management Response and Planned Corrective Actions:

The Authority just completed a review of all MTCS data submitted to HUD. The agency has corrected all errors and resubmitted the files. Currently our reporting rate is above 98%.

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

Management Response and Planned Corrective Actions:

This finding has been identified in the Confirmatory Review by HUD and corrective action is detailed in our Corrective Action Plan submitted to HUD on February 2, 2007. This corrective effort will be completed by April 1, 2007. Mr. William Bounthon will be the responsible person.

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.

Management Response and Planned Corrective Actions:

This finding has been identified in the Confirmatory Review by HUD and corrective action is detailed in our Corrective Action Plan submitted to HUD on February 2, 2007. This corrective effort will be completed by April 1, 2007. Mr. Donnie Bell will be the responsible person.

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.

Management Response and Planned Corrective Actions:

This finding has been identified in the Confirmatory Review by HUD and corrective action is detailed in our Corrective Action Plan submitted to HUD on February 2, 2007. This corrective effort will be completed by April 1, 2007. Mr. Donnie Bell will be the responsible person.

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.

Management Response and Planned Corrective Actions:

This finding has been identified in the Confirmatory Review by HUD and corrective action is detailed in our Corrective Action Plan submitted to HUD on February 2, 2007. This corrective effort will be completed by April 1, 2007. Mr. Donnie Bell will be the responsible person.

Section IV - Status of Prior Year Findings and Questioned Costs

Prepared by Management

HOUSING CHOICE VOUCHERS (CFDA #14.871)

Finding 05-1

The program requires that, as a condition of admission or continued occupancy, the tenant and other family members provide necessary information, documentation, and releases for the Housing Authority to verify income eligibility. During the prior auditors' test of the Housing Choice Vouchers Program, they noted that required personal documentation was not properly filed for 3 tenant files out of the 40 that were reviewed.

Current Status

Current Measures have been implemented effective July 1, 2006, which is the date for the new and revised Section 8 Administrative Plan.

Finding 05-2:

The program requires that the Authority determine income eligibility and calculate the tenant rent payments using third party verification. During the prior auditors' test of the Housing Choice Vouchers Program, they noted that income was not calculated properly for 6 tenants out of the 40 that were reviewed.

Current Status

Implemented with the new Section 8 Administrative Plan effective July 1, 2006.

Finding 05-3:

The Authority is required to keep updated tenant information in tenant files as annual reexaminations are conducted, and keep tenant files in a safe, fixed location for efficient and effective review purposes. During the prior auditors' test of the Housing Choice Vouchers Program, the Authority could not locate 1 tenant file of the 40 reviewed.

Current Status

Revised file maintenance protocols went into effect July 1, 2006.

Finding 05-4, Special Tests and Provisions:

The Authority must maintain an up-to-date utility allowance schedule. The Authority must review utility rate data for each utility category each year and must adjust its utility allowance schedule if there has been a rate change of 10 percent or more for a utility category or fuel type since the last time the utility allowance schedule was updated. During the prior auditors' test of the Housing Choice Vouchers Program, one utility allowance schedule was not in the tenant file and utility allowances were not calculated properly for 4 tenant files out of the 40 files reviewed.

Current Status

This finding has been addressed with an updated Utility Allowance Schedule completed in conjunction with an Energy Audit in February 2007.

Finding 05-5:

The Authority must inspect the unit leased to a family annually to determine if the unit meets Housing Quality Standards (HQS) and the Authority must conduct quality control re-inspections. During the prior auditors' test of the Housing Choice Vouchers Program, they noted that either an annual inspection for was not filed or quality control re-inspection was not conducted for 2 tenant files out of the 40 files reviewed.

Current Status

See response for Finding 05-04.

LOW RENT PUBLIC HOUSING (CFDA #14.850)

Finding 05-6:

The program requires that, as a condition of admission or continued occupancy, the tenant and other family members provide necessary information, documentation, and releases for the Authority to verify income eligibility. During the prior auditors' test of Low Rent Public Housing Program, they noted that required personal documentation was not properly filed for 4 tenant files out of the 40 that were reviewed.

Current Status

This finding has been addressed in the Low Income Public Housing revised Admissions and Continued Occupancy Policy effective July 1, 2006.

Finding 05-7:

The program requires that the Authority obtain and document in the family file third party verification of reported family annual income. During the prior auditors' test of Low Rent Public Housing Program, they noted that third party verification of family annual income was not sufficient for 3 tenant files out of the 40 that were reviewed.

Current Status

This finding is also addressed in the revised Admissions and Continued Occupancy Policy effective July 1, 2006.

Finding 05-8, Special Tests and Provisions:

The program requires that the Authority carry out an annual UPCS inspection on a tenant's unit. During the prior auditors' test of the Low Rent Housing Program, they noted that an annual UPCS inspection was not carried out for 3 tenant files out of the 40 that were reviewed.

Current Status

The Authority is currently conducting UPCS inspections for all tenant units and the 3 files identified have been completed.

Finding 05-9:

The program requires that the Authority carry out periodic re-determination of eligibility. During the prior auditors' test of the Low Rent Housing Program, they noted that recertification was not carried out for 1 tenant file out of the 40 that were reviewed.

Current Status

The Authority has addressed the Recertification procedures outlined in the Administrative Plan that became effective July 1, 2006. The 1 file identified has been completed.

Finding 05-10:

The program requires that the authority screen an applicant's background as a condition of admission of the tenant to the program. During the prior auditors' test of the Low Rent Housing Program, they noted that required background check was not carried out for 3 tenant files out of the 40 that were reviewed.

Current Status

The Authority does conduct applicant background checks as a condition of admission and will continue to do so. The 3 tenant files identified have been corrected.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Federal Department / Program Name	Catalog of Federal Domestic Assistance Number	Program Expenditures
Department of Housing and Urban Development:		
Low-Income Housing Program	14.850	\$1,202,276
Public Housing Capital Fund Program	14.872	1,698,698
Demolition and Revitalization of Severely Distressed Public Housing (HOPE VI)	14.866	9,352,930
Lead-Based Paint Hazard Control in Privately Owned Housing	14.900	1,379,983
Section 8 Programs Housing Choice Voucher	14.871	<u>18,746,240</u>
Total Expenditures of Federal Awards		<u><u>\$32,380,127</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

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 direct Federal award programs.

**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

We have audited the basic financial statements of Housing Authority of the City of Richmond (Authority) as of and for the year ended June 30, 2006, and have issued our report thereon dated February 16, 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However we did communicate other matters to Authority Board in our separate Memorandum on Internal Controls dated February 16, 2007.

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*.

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

Maze & Associates

February 16, 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 (Authority) 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, 2006. 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 generally accepted auditing standards 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 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 Housing Authority of the City Of Richmond 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, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with certain 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 control 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 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 and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However we did note certain reportable conditions discussed in the Section III - Federal Award Findings and Questioned Costs.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business type activities, each major fund, and the aggregate remaining fund information of the Authority as of and for the year ended June 30, 2006, and have issued our report thereon dated February 16, 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.

This report is intended solely for the information and use of the Authority Board, management, 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.

Maze & Associates

March 8, 2007

**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

We have audited the basic financial statements of Housing Authority of the City of Richmond (Authority) as of and for the year ended June 30, 2006, and have issued our report thereon dated February 16, 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However we did communicate other matters to Authority Board in our separate Memorandum on Internal Controls dated February 16, 2007.

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*.

**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 (Authority) 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, 2006. 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 generally accepted auditing standards 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 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 Housing Authority of the City Of Richmond 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, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with certain 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.

REPORT OF COMPLIANCE WITH FEDERAL REQUIREMENTS APPLICABLE TO
FEDERAL AID PROGRAMS AND FEDERAL CONTRACTS 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 (Authority) with the
provisions of the Federal Acquisition Regulation (FAR) and the Office of Management and Budget (OMB)
Circular A-133, Compliance Requirements for each of its major federal programs for the
year ended June 30, 2006. The Authority's major federal programs are identified in Section I - Summary
of Audits. Results included on the accompanying Schedule of Findings and Questioned Costs
Compliance with the requirements of laws, regulations, contracts and grant provisions in 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 generally accepted auditing standards 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, apply to
these federal programs and financial statements. These standards and OMB Circular A-133
require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance
with the provisions of applicable laws, regulations, contracts and grant provisions that could have a direct and material effect
on a major federal program exists. Our audit includes examining, on a test basis, evidence about the
Authority's compliance with those provisions 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 provisions.

In our opinion, the Housing Authority of the City of Richmond 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, 2006. However, the results of our auditing procedures disclosed instances of
noncompliance with certain provisions, which are reported in accordance with OMB
Circular A-133 and which are described in Section II - Federal Aids, Findings and Questioned Costs.