

RICHMOND HOUSING AUTHORITY (RHA)
Housing Advisory Commission Meeting

DATE: Monday, October 19, 2020

TIME: 3:30 p.m.

Access Meeting by Computer, Tablet or Mobile Device

Please click the link below to join the webinar:

<https://zoom.us/j/99914348243?pwd=OUV4QlpsOUFvM3hZQlIMaUlacVpiQT09>

Passcode: **941563**

By Telephone: +1 669 900 6833 or +1 346 248 7799 or +1 253 215 8782 or +1 312 626 6799 or
+1 929 205 6099 or +1 301 715 8592

Webinar ID: 999 1434 8243

Passcode: 941563

CORONAVIRUS DISEASE (COVID-19) ADVISORY

Due to the coronavirus (COVID-19) pandemic, Contra Costa County and Governor Gavin Newsom have issued multiple orders requiring sheltering in place, social distancing, and reduction of person-to-person contact (See, for example, Contra Costa County Health Order extending the shelter-in-place order and statewide shelter-in-place order). Accordingly, Governor Gavin Newsom has issued executive orders that allow cities to hold public meetings via teleconferencing (Executive Order N-29-20).

Both <https://www.coronavirus.cchealth.org/> and <http://www.ci.richmond.ca.us/3914/Richmond-Coronavirus-Info> provide updated coronavirus information.

DUE TO THE SHELTER IN PLACE ORDERS, attendance at the Housing Advisory Commission Meeting will be limited to Housing Advisory Commission members, essential Richmond Housing Authority (RHA) and City of Richmond staff, and members of the news media. Public comment will be confined to items appearing on the agenda and will be limited to the methods provided below. Consistent with Executive Order N-29-20, this meeting will utilize teleconferencing only. The following provides information on how the public can participate in this meeting.

Public comments may be submitted in multiple ways:

1. Via email to aarredondo@rhaca.org by 2:30 p.m. on October 19, 2020 or during the meeting as set forth below. Email must contain in the subject line public comments – not on the agenda or public comments – agenda item #. Email must contain in the subject line **public comments – not on the agenda or public comments – agenda item #.**

Comments received via email or telephone during the meeting will be handled as follows:

Comments received via email during the meeting and up until the public comment period on the relevant agenda item is closed, will be read into the record and will be limited to a maximum of three minutes, depending on the number of commenters, as more fully described in the City Council meeting procedures below]. For public hearing items, the time will be limited to a maximum of three minutes. The staff will stop reading comments into the record after the allotted time of three minutes for such comments.

Comments received by telephone 510-621-1300, during the public comment period shall not to exceed the allotted time of three minutes – for such comments as provided above.

2. Via mail received by 2:30 p.m. Monday, October 19, 2020 sent to Richmond Housing Authority 330 24th Street, Richmond, CA 94804.

3. Via phone voice message received by 2:30 p.m. Monday, October 19, 2020, phone: 510-621-1300. Please leave your comment on the voicemail or with staff member that answers the phone.

4. Via Telephone. If you would like to give your public comment via telephone, please email your telephone number with area code to aarredondo@rhaca.org during the public comment period. You will be called during the public comment period and you will be given the opportunity to verbally submit public comment (not to exceed the allotted time – three minutes – for such comments as provided below).

The RHA cannot guarantee that its network will be uninterrupted. To ensure that the Housing Advisory receives your comments, you are strongly encouraged to submit your comments in writing in advance of the meeting.

Comments received by 2:30 p.m. Monday, October 19, 2020 during the day of the meeting will be handled as follows:

All email, phone, and mail comments received **by 2:30 p.m. on Monday, October 19, 2020**, will be provided to the Commissioners via e-mail or report.

Record of all public comments:

All public comments will be considered a public record, put into the official meeting record, and considered before Commission action. All public comments will be available after the meeting as supplemental materials and will be posted as an attachment to the meeting minutes when the minutes are posted.

Accessibility for Individuals with Disabilities

Upon request, the RHA will provide for written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services and sign language interpreters, to enable individuals with disabilities to participate in and provide comments at/related to public meetings. Please submit a request, including your name, phone number and/or email address, and a description of the modification, accommodation, auxiliary aid, service or alternative format requested. Requests should be emailed to NBeacham@rhaca.org or submitted by phone at 510-620-1300. Requests can be made by mail to Nannette Beacham 330 24th Street, Richmond, CA 94804. Requests will be granted whenever possible and resolved in favor of accessibility.

Effect of Advisory on In-person public participation

During the pendency of the Executive Order N-29-20, the language in this Advisory portion of the agenda supersedes any language below in the meeting procedures contemplating in-person public comment.

Commissioners

**Carol Hegstrom
Chair**

**Jaycine Scott
Vice-Chair**

**Dena Nelson
Secretary**

Preston Lam

Toni Autry

Y'Anad Burrell

**Ben Choi
Council Liaison**

AGENDA

1. Call to Order and Pledge of Allegiance (1 min.)
2. Roll Call (1 min.)
3. Welcome and Meeting Procedures (1 min.) – Individuals who would like to address the commission on matters not listed on the Agenda may do so under Open Forum. Please file a speaker's card with the note taker prior to the commencement of Open Forum. Individuals, who want to comment on an individual item, please file a speaker's card before the item is called. The standard amount of time for each speaker will be three minutes.
4. Agenda Review and Adoption (4 min.)
The order in which items will be heard may be adjusted at this time. Items may be removed from the Agenda at this time.
5. Approval of Minutes (1 min.)
6. Introduction of Invited Guests
7. Executive Director's Update
 - Nystrom Village Clean Up
 - Staffing Update
 - Nevin Holiday Event – EAH Housing
8. Housing Advisory Commissioners' Reports (3 min.)
9. Housing Advisory Commissioner Appointments
10. Presentations
11. Recommendations to the Housing Authority Board of Commissioners (3 min.).
12. Open Forum (Limit to 3 minutes per person)
13. Old Business
 - Asset Repositioning Update
 - Nevin Plaza
 - Hacienda
 - Nystrom
 - Administration Building
 - Richmond Village
14. New Business
 - MGO RHA Phase II Assessment Report for FY 2017-2019
15. Next Scheduled Meeting

At 4:30 p.m., any items remaining on the Agenda that require immediate attention may be moved to this time.

Commissioners

**Carol Hegstrom
Chair**

**Jaycine Scott
Vice-Chair**

**Dena Nelson
Secretary**

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**Ben Choi
Council Liaison**

AGENDA

This Commission meets every 2nd Monday at 3:30 p.m. To request disability-related accommodation(s) to participate in the meeting, including auxiliary aids or services, please contact Bruce Soublet, ADA Coordinator, at (510) 620-6509 at least three business days before the meeting date. The next meeting is scheduled for **Monday, November 9, 2020.**

RICHMOND HOUSING AUTHORITY

Phase II Assessment Report for
Fiscal Years 2017 through 2019

September 17, 2020



Certified
Public
Accountants



Certified
Public
Accountants

September 17, 2020

Ms. Belinda Brown
Finance Director
City of Richmond
450 Civic Center Plaza, 1st Floor
Richmond, CA 94804

Dear Ms. Brown:

The Housing Authority of the City of Richmond (RHA) entered into a Public Housing Authority Recovery and Sustainability (PHARS) agreement in March 2018 with the U.S. Department of Housing and Urban Development, Region IX (HUD) to address operational deficiencies of RHA and the viability of preserving the RHA. One of the tasks in the PHARS agreement was to have a forensic audit of RHA completed. After RHA conducted a competitive request for proposal process, Macias Gini & O'Connell LLP (MGO) was selected to perform an Assessment in accordance with the American Institute of Certified Public Accountants (AICPA) Statements on Standards for Consulting Services. In April 2018, RHA entered into a consulting agreement with MGO for a Phase I Assessment.

Based on direction from RHA, an initial engagement for a Phase I Assessment was conducted by MGO that included an evaluation of RHA's accounting system, financial management system, and the financial relationship between the City and RHA. MGO assessed controls and operational compliance with the controls, and identified areas of risk of fraud and misconduct. MGO issued its Phase I Assessment Report to RHA in November 2018.

Subsequent to MGO's Phase I engagement, in April 2019, RHA entered into a second consulting agreement with MGO for financial consulting services for Phase II. MGO conducted this Phase II engagement in accordance with the Statements on Standards for Consulting Services as issued by the AICPA and the terms of our Agreement with RHA.

Executive Summary

The scope of MGO's engagement for Phase II primarily focused on financial transactions that may have an impact on the financial statements of RHA and its related entities for fiscal years ending June 30, 2017 through June 30, 2019, as well as some account data from prior years. Specifically, MGO conducted detail testing and evaluation procedures of RHA's financial transactions, including assessing controls and operational compliance with these controls, and identified areas of non-compliance or risk of misstatements from proper accounting treatment. MGO made recommendations for improvement, detailed below. RHA management concurs with the recommendations and has begun taking action to implement the changes (see Attachment A).

Areas of Focus

Below is a summary of the areas of focus for MGO's Phase II engagement with RHA:

- Cash and Bank-Related Activity and Trial Balances - MGO performed bank reconciliations for fiscal years 2017, 2018, and 2019 for the public housing bank accounts, and recreated Trial Balances for fiscal years 2017 and 2018 for the RHA Housing Corporation based on activity noted in the bank statements and other documentation provided.
- Rental Revenues for Public Housing Program – MGO performed procedures by testing a sample of rental payments for transactions from FY2017 through FY2019.
- HUD Grant Revenue – MGO performed procedures by testing a sample of Grant Revenue receipts for transactions from FY2017 through FY2019.
- Other Revenues – MGO performed procedures by testing a sample of Other Revenue receipts for transactions from FY2017 through FY2019.
- Expenditure Detail and Yardi Payments – MGO performed procedures by testing a sample of Tenant Services, Ordinary Maintenance and Operations, and General Expenditure transactions from FY2017 through FY2019.

Summary of Testing

Below is a summary of MGO's detailed testing analysis and observations.

Cash and Bank-Related Activity and Trial Balances

MGO performed bank reconciliations for fiscal years 2017 through 2019 for the public housing bank accounts, and recreated Trial Balances for fiscal years 2017 through 2018 for the RHA Housing Corporation based on activity noted in the bank statements. Our procedures in this area included identifying unreconciled transactions, vouching to supporting documentation, tracing to account activity in the financial system, and determining the appropriateness of accounting treatment. We also provided our observations, prepared journal entries for any reconciling items, and provided journal entries to RHA to record the transactions in the financial system.

Rental Revenues for Public Housing Program – Nystrom Village and Nevin Village

MGO performed testing procedures for Nystrom Village and Nevin Village for FY2017 through FY2019 by selecting 180 transactions to: (1) vouch rental transactions to RHA's financial system to verify proper accounting treatment, (2) review each rental agreement and compare to public housing bank deposit support, and (3) verify deposit of funds and identify variances from what should have been received. Our testing included a sample size of 30 transactions for each fiscal year for each housing project, which totaled 180 transactions. Below is a summary of exceptions noted for each public housing project.

Nystrom Village

For 22 of 90 transactions tested, MGO noted a variance in the rent amount owed compared to the rent amount posted as paid in RHA's financial system. For these 22 transactions, the rent amount due was \$6,816 while the rent recorded as paid was \$2,484, leaving an underpayment variance of \$4,332; or 63.5% of the amount owed by the tenants. In addition, for one of the transactions tested, MGO noted the \$500 amount recorded as paid was \$330 less than the amount due. However, MGO was also unable to identify the \$500 amount recorded as paid within the bank deposit report.

Nevin Village

For seven of 90 transactions tested, the rent amount due for the periods tested was \$2,103 (in accordance with the rental agreements) while the amount recorded as received was \$1,083, leaving an underpayment variance of \$1,020; or 48.5% of the amount owed by the tenants.

HUD Grant Revenue Testing

MGO performed testing procedures of 60 sample HUD Grant Revenue transactions from FY2017 through FY2019. MGO's objectives for the testing were to determine if (1) the grant drawdown requests contained the appropriate signatures, (2) the revenue recorded in RHA's financial system agreed with the amounts on the bank statements, and (3) the revenue was appropriately recorded as HUD public housing grant revenue based on the drawdown request or other information provided to MGO.

The results of MGO's procedures identified 27 instances (45%) in which only one signature and approval existed, whereby two signatures are required (requester and approver). In addition, for one grant drawdown tested, the amount recorded in RHA's financial system was \$725 greater than the amount per the drawdown request and the amount deposited in the bank, indicating the transaction was not properly recorded.

Other Revenue Testing

MGO performed testing procedures of 43 Other Revenue transactions from FY2017 through FY2019 to: (1) determine the source of funds and purpose, (2) verify correctness and accuracy of revenues by tracing payments to monthly bank statements and supporting documentation, and (3) determine proper accounting treatment by reviewing RHA's financial system reports and performing trend analysis procedures to analyze variances.

The results of MGO's procedures identified that seven transactions tested, at a recorded value of \$9,682.08, lacked proper supporting documentation. Per further inquiry by MGO, RHA staff indicated that these transactions were for repayment agreements established between property owners and RHA. Upon further explanation from RHA staff, if/when a property owner receives a Section 8 Housing payment from RHA and later determined to be ineligible, the funds are returned from the property owner to RHA. MGO was unable to verify these transactions further given that RHA's Section 8 housing program was transferred to the Contra Costa County Housing Authority (CCCHA). The repayment agreements would be with CCCHA, and no further documentation was available for MGO to review.

Tenant Services, Ordinary Maintenance and Operations, and General Expenditure Testing

MGO performed testing procedures of 21 Tenant Services expenditure transactions, 146 Ordinary Maintenance and Operations expenditure transactions, and 273 General expenditure transactions, totaling 440 transactions from FY2017 through FY2019. The procedures performed were to: (1) determine the appropriateness of the expenditure and proper authorizations for approval, (2) verify the correctness of the expenditure (amount and payee), and (3) determine if the expenditure was properly recorded and classified. Below is a summary of exceptions noted for each expenditure category.

Tenant Services Expenditures

For 21 transactions tested in this category, MGO determined that two expenditures were not eligible Tenant Services Expenditures and, therefore, were incorrectly recorded. MGO recommends that RHA reclassify these expenditures as General Expenditures (\$64,783).

Ordinary Maintenance and Operations Expenditures

For 146 transactions tested in this expenditure category, (1) two transactions lacked supporting documentation and, therefore, MGO was unable to determine the appropriateness and classification for the expenditures (\$389), (2) four transactions lacked authorization signatures (\$21,477), (3) one transaction was not listed on the bank statement (\$14,400), and (4) twenty-eight transactions were determined to be incorrectly classified and should be reclassified as General Expenditures (\$195,605).

General Expenditures

For 273 transactions tested in this expenditure category, (1) three transactions lacked supporting documentation and, therefore, MGO was unable to determine the appropriateness and classification for the expenditures (\$397,890), (2) fifteen transactions lacked proper authorization signatures (\$37,577.26), and (3) three transactions were determined to be incorrectly classified and should be reclassified as an Ordinary Maintenance and Operations Expenditure (\$4,282.45).

Recommendations

MGO provided the following recommendations to RHA:

Rental Revenues –

- (1) RHA should investigate and address rental transactions in which the rent amount owed was greater than the rental amount paid.
- (2) RHA should conduct a full reconciliation of the 2020 rental agreements and rental payments (and monthly thereafter) to ensure that appropriate rental payments were/are collected and will continue to be appropriately collected in the future. The monthly reconciliation should be conducted between the rental agreement, Yardi Public Housing General Ledger, Bank Deposit Reports, and supporting documentation. Any variances should be investigated and addressed. A supervisor should review and approve the reconciliations along with variance analysis and provide oversight of any investigations. Management should provide periodic oversight of the reconciliation process, including variance analysis, follow-ups, and initiation/status of any investigations.

Grant Revenues –

- (1) As a best practice internal control measure, RHA should initiate a policy and procedure to ensure that two signatures, one requester and one approver (two different employees with proper authority), are required to conduct a drawdown request.
- (2) RHA should document all expenditures associated with grant funds to ensure that all expenditures are appropriately captured.
- (3) RHA should document all drawdown requests.
- (4) RHA should conduct a monthly reconciliation between grant revenue recorded within RHA's financial system to the amounts reflected within the bank statement to ensure proper recording of revenue. Any variances should be investigated and the results documented. The reconciliation should be reviewed and approved by a Supervisor.

Other Revenues –

- (1) RHA has transferred its Section 8 program to Contra Costa County. However, if RHA enters into any new repayment agreements with property owners, RHA should initiate a policy and procedure to maintain written documentation of repayment agreements
- (2) RHA should initiate a policy and procedure to maintain documentation of original invoices, voids, journal entry adjustments, and reissued invoices.

Expenditures –

- (1) RHA should reclassify expenditure transactions to the proper expenditure classification categories identified in MGO's report.
- (2) RHA should conduct a comprehensive reconciliation of all expenditures to identify any further expenditures that may be misclassified. Such reconciliation should be conducted on an annual basis, at a minimum, and should be reviewed and approved by a Supervisor with management oversight.
- (3) RHA should initiate policies that set procedures to ensure (a) all invoices are properly approved, and (b) documentation is maintained for all expenditure transactions.

General Recommendations –

RHA should consider the staffing resources necessary to properly account for, maintain, and manage RHA's complex financial transactions and related operations. In evaluating finance staffing resources, RHA should review the appropriate levels of finance staffing, supervisory duties, and management oversight. In addition, RHA should consider the importance of and implement a staff-training plan to ensure proper accounting practices are followed. Finally, RHA should evaluate its internal control structure to ensure appropriate controls, policies, and procedures are established and practiced. These measures will help to ensure proper segregation of duties are followed; mitigate the potential for financial mismanagement and improper reporting; and reduce the risk of fraud, waste, and abuse.

Management's Response

RHA management concurs with the recommendations above and has begun implementing the changes suggested.

Conclusion

MGO conducted this engagement in accordance with the Statements on Standards for Consulting Services as issued by the American Institute of Certified Public Accountants and the terms of our Agreement with RHA. We were not engaged to conduct an audit in accordance with U.S. generally accepted auditing standards or an examination in accordance with attestation standards, the objective of which would be the expression of an opinion. Because the scope of work listed above does not constitute an examination or audit in accordance with generally accepted government auditing standards, we did not express an opinion on the results of our work, but instead have provided this report with our observations and recommendations. We had no obligation to perform any procedures beyond those listed in the scope of our engagement. If, however, as a result of the procedures or through other means, matters had come to our attention, we would have disclosed those matters to the RHA. Such disclosures, if any, may not include all matters which might have come to our attention had we performed additional procedures or an examination.

MGO provided a matrix to RHA containing the results of our testing for each of the areas of focus previously mentioned (see Attachment A). The matrix contains our observations, conclusions, recommendations, and management responses.

This report and the associated Phase II work conducted by MGO is intended solely for the information and use of RHA, the City, and the United States Department of Housing and Urban Development (HUD) as described above, and is not intended to be and should not be used by anyone other than those specified parties.

Macias Gini & O'Connell LLP

Walnut Creek, California

Area Of Focus	Purpose of Testing	Observations	Conclusions	Recommendations	Management Response
Cash and Bank Related Activity & Trial Balances	Perform bank reconciliations for fiscal years 2017, 2018, and 2019 for the public housing bank accounts. Recreate Trial Balance for 2017 and 2018 for RHA Housing Corporation based on activity noted in the bank statements.	MGO prepared bank reconciliations using ending monthly cash balances per trial balances. Identified reconciling items for bank activity on bank statements that were not on trial balances. Prepared journal entries for reconciling items and provided to RHA. Re-created trial balances including reconciling items and provided to RHA.	RHA recorded Journal Entries provided by MGO. All applicable cash accounts have been reconciled for the years noted.	N/A	N/A
Rental Revenues - Public Housing Program Nystrom Village	Perform a test of sample rental payments by performing a reconciliation from FY2017 through FY2019. (Attribute #1 - Vouch rental transactions to Yard general ledger to verify proper accounting treatment.) Perform a test of sample rental payments by performing a reconciliation from FY2017 through FY2019. (Attribute #2 - Trace rental receipts that should be received pursuant to each rental agreement tested to public housing bank deposit support to verify deposit of funds.)	For 22 of 90 transactions tested between FY2017 and FY2019, the total rent amount owed was greater than the rental amount paid by tenants. Total rent owed for the 22 exceptions was \$6,616. The actual amount of rent paid by tenants for the 22 exceptions within the sample tested was \$2,484. Leaving a variance of \$4,332, or 63.5% of the amount owed by the tenants for the 22 exceptions within the sample transactions tested. For one of 90 transactions tested between FY2017 and FY2019, the rental agreement showed that the monthly rent owed was \$830 while the Yard Public Housing General Ledger shows a \$500 payment, leaving a variance of a \$330 underpayment. However, the \$500 payment could not be identified within the bank deposit batch report.	Exceptions Noted.	MGO recommends that RHA conduct a monthly reconciliation between the rental agreement, Yard Public Housing General Ledger and Bank Deposit Report. The monthly reconciliation should be reviewed and approved by a Supervisor. We further recommend that RHA conduct further investigation and/or follow-up with the Tenant related to the specific exception noted.	Housing Authority of the City of Richmond (HACR) concurs with the findings and recommendations. In order to achieve the recommended corrective actions, HACR must have dedicated Finance staff in managerial capacity who will be responsible for the financial reporting and grants accounting of the authority including the activities of the discrete component units and a support staff who can perform the day-to-day activities including the upkeep and maintenance of all the tenant related transactions (rent rolls, rental agreement, receipt reconciliations, etc.). This will also ensure segregation of duties in compliance with internal control checks and balances, and in accordance with general accounting, auditing and financial reporting (GAAP) and generally accepted accounting principles (GAAP). The current HACR administration ensures that the collection policy is followed on rent collections, such that the agreed upon rent is paid monthly by the tenants. Beginning fiscal year 2020 and towards the end of fiscal year 2019, HACR acquired deposit scanner that sends the deposits electronically to the bank and the scanned deposit reports are generated for each transaction and kept in a folder accessible to everyone. These reports validate the monthly tenant collections that agreed to the bank statements. This step also ensures the upkeep and record keeping/maintenance that are in agreement with the grant rules and policies.
Rental Revenues - Public Housing Program Nevin Village	Perform a test of sample rental payments by performing a reconciliation from FY2017 through FY2019. (Attribute #1 - Vouch rental transactions to Yard general ledger to verify proper accounting treatment.) Perform a test of sample rental payments by performing a reconciliation from FY2017 through FY2019. (Attribute #2 - Trace rental receipts that should be received pursuant to each rental agreement tested to public housing bank deposit support to verify deposit of funds.)	For seven of 90 rental agreements tested for FY2017 through FY2019, the total rent amount owed was greater than the rental amount received. The total rent owed for the seven exceptions was \$2,103 and the amount received was \$1,083, leaving a variance of \$1,020, or 48.5% of the amount owed by the tenants in accordance with the rental agreements. For two of 90 rental agreements tested for FY2017 through FY2019, for compliance we identified the following exceptions. In FY2018, page 4 of the Nevin Rental Agreements shows the monthly rent owed was \$246. However, per the Yard Public Housing GL and page 557 of the Yard System - Receipt Batch Report 2018, a payment of \$244 was made. A variance of \$2. Page 5 of the Nevin Rental Agreements shows the monthly rent owed was \$187. However, per the Yard Public Housing GL and page 557 of the Yard System - Receipt Batch Report 2018, a payment of \$180 was made. Thus causing a variance of \$7.	Exceptions Noted.	MGO recommends RHA investigate and conduct further follow-up to address the seven transactions in which the rent amount owed was greater than the rental amount paid by the Tenant. Additionally, MGO recommends that RHA conduct a full reconciliation of the 2020 rental agreements and rental payments (and conducted monthly on a go-forward basis) to ensure that appropriate rental payments were collected and will continue to be collected in the future. Any variances should be investigated by RHA. The reconciliation should be reviewed and approved by a Supervisor. MGO recommends RHA investigate and follow-up on the seven transactions in which the rent amount owed was greater than the rental amount paid by the Tenants. Additionally, MGO recommends that RHA conduct a full reconciliation of the 2020 rental agreements and rental payments to ensure that appropriate rental payments were collected and will continue to be collected in the future. Any variances should be investigated by RHA. The reconciliation should be reviewed and approved by a Supervisor.	In response to the recommendation and follow-up request in this test sampling, further investigation cannot be performed due to lack of record keeping during the fiscal years in question. The only evidence of the rent collections were in Yard in which some or all of the monthly tenant payments did not match the rental agreement nor the deposits made in the bank. Due to lack of staffing or a dedicated Finance staff of higher capacity to oversee the Accountant's work, reconciliations and validation of entries were not performed. As suggested above, HACR should have dedicated Finance staff as well as support staff to perform the required reconciliation and to maintain segregation of duties in accordance with GAAP. The current HACR administration ensures that the collection policy is followed on rent collections, such that the agreed upon rent is paid monthly by the tenants. Beginning fiscal year 2020 and towards the end of fiscal year 2019, HACR acquired deposit scanner that sends the deposits electronically to the bank and the scanned deposit reports are generated for each transaction and kept in a folder accessible to everyone. These reports validate the monthly tenant collections that agreed to the bank statements. This step also ensures the upkeep and record keeping/maintenance that are in agreement with the grant rules and policies. In response to the recommendation and follow-up request in this section, further investigation cannot be performed due to lack of record keeping during the fiscal years in question. The only record kept of the transactions were in Yard but as tested, the information in this system does not represent the actual receipts at that time. Due to lack of staffing or a dedicated Finance staff of higher capacity to oversee the Accountant's work, reconciliations and validation of entries were not performed. As suggested above, HACR should have dedicated Finance staff as well as support staff to perform the required reconciliation and to maintain segregation of duties in accordance with GAAP. The current practice which actually started in fiscal year 2020, the record of deposits were kept which validated the amounts deposited in the bank. The current administration issues that the rent collections abide with the rental agreements or additional actions will be taken including the surcharge for late payments if the checks with incorrect amounts were returned.

Area Of Focus	Purpose of Testing	Observations	Conclusions	Recommendations	Management Response
HUD Grant Revenue Testing	Perform a test of sample Grant Revenue payments by performing a reconciliation from FY2017 through FY2019. (Attribute #1 - Determine if the drawdown request contains the names of the employee (1) requesting the drawdown, and (2) the employee approving the draw down.)	Out of 60 drawdowns tested for FY2017 through FY2019, MGO identified 27 instances (totaling \$1,012,160.78) in which only one employee's signature and approval existed whereas both the requester and approver signatures are required.	Exceptions Noted.	MGO recommends, as a best practice internal control measure, that RHA initiate a policy and procedure to ensure that two signatures; one requester and one approver (two different employees with proper Authority), are required to conduct a drawdown request.	Housing Authority of the City Richmond (HACR) concurs with MGO recommendation to ensure internal control checks and balances. Though HUD system (eLOCCS) does not require HACR approver to complete the drawdown request process unlike the other HUD system, Integrated Disbursement and Information System (IDIS), for CDBG and HOME grant which required a drawdown requester to initiate the drawdown and then approved by the administrator before the final gets transmitted to City's bank account. Because of this limitation, the drawdown becomes complete and automatically approved by HUD without the second staff approval. In order to comply with MGO's recommendation, the City devised a drawdown request form to be signed by the Executive Director requesting for the drawdown based on the expenditures incurred after a reconciliation is performed to prevent reimbursement duplication. The requester will also ensure that an Administrator and/or another staff electronically sign the voucher request uploaded from eLOCCS. During the fiscal years in question, there was only one Finance staff performing all the work with no separation of duties nor a supervisor to oversee or validate the correctness of the work done, thereby violating the internal control checks and balances.
		For one of 60 transactions tested for FY2017 through FY2019, the full amount of the Capital Fund grant drawdown was conducted during the year and the administrative fees may have been included within a drawdown request. However, the \$3,771.19 drawdown tested is not specifically identified.	Exceptions Noted.	MGO recommends that RHA document all expenditures associated with the Capital Fund grant, to ensure that all expenditures are appropriately captured.	HACR concurs with the findings and that actual funds drawn and received as shown in the bank should have been recorded as grant revenue received instead of the past practice of recording accrual of the grant for the administrative staff cost allocation not indicative of the amount actually drawn. The practice of recording the actual amount of grant drawn was put in effect in fiscal year 2020 and current year. In review of the Capital Grant Funds, the grant as obligated/budgeted in eLOCCS, allowed administration cost (10% cap), Operating Cost, Management Improvement and General Capital Activity and the funds were drawn as budgeted (see Capital Fund Grant Summary).
		For one of 60 transactions, a drawdown request was not created as the transaction was for RHA recording revenue for the Part In Admin revenue provided by other housing authorities (\$2,712.65). As such, MGO was unable to determine whether this transaction was appropriately recorded.	Exceptions Noted.	MGO recommends that RHA document all drawdown requests.	The City devised a Grant Drawdown Request Form in order to comply with MGO's recommendation. The form requires the Executive Director's signature for the grant drawdown request based on the expenditures incurred. This form is initiated in the current year.
HUD Grant Revenue Testing	Perform a test of sample Grant Revenue payments by performing a reconciliation from FY2017 through FY2019. (Attribute #2 - Determine if the revenue recorded in Munis agrees with the amount reflected on the bank statements.)	For one of 60 drawdowns tested for FY2017 through FY2019, the grant revenue recorded in the journal entry (\$39,177.87) exceeded the amount deposited in the bank.	Exceptions Noted.	MGO recommends that RHA conduct a monthly reconciliation between grant revenue recorded within MUNIS to the amounts reflected within the bank statement to ensure proper recording of revenue. Any variances should be investigated and the results documented and the reconciliation should be reviewed and approved by a Supervisor.	HACR concurs with the MGO finding. The current practice of recording the grant revenues concurs with MGO recommendation. The funds drawn and received in the bank are recorded as grant revenue in MUNIS and that the entries were documented with copies of the voucher (drawdown request form) instead of the past practice of accruing the revenues prior to the draws that did not match the amounts drawn and received in the bank.
		For one of 60 transactions tested for FY2017 through FY2019, the full amount of the Capital Fund grant drawdown was conducted during the year and the administrative fees may have been included within a drawdown request. However, the \$3,771.19 drawdown tested is not specifically identified.	Exceptions Noted.	MGO recommends that RHA document all expenditures associated with the Capital Fund grant to ensure all expenditures are appropriately captured.	HACR concurs with the finding. A reconciliation of all the expenditures has been performed as a tool in determining the amount to be drawn and the expenditures that needed to be reimbursed.
		For one of 60 transactions for FY2017 through FY2019, a drawdown request was not created as the transaction was for RHA recording revenue for the Part In Admin revenue provided by other housing authorities (\$2,712.65). As such, MGO was unable to determine whether this transaction was appropriately recorded.	Exceptions Noted.	MGO recommends that RHA document all drawdown requests.	New practice, a establishment of the grant drawdown request, has been introduced and implemented that required the Executive Director's signature that document the amount that requires reimbursement to be submitted to Finance staff.
HUD Grant Revenue Testing	Perform a test of sample Grant Revenue payments by performing a reconciliation from FY2017 through FY2019. (Attribute #3 - Determine if the revenue is appropriately recorded as HUD PHA grant revenue based on the drawdown request or other information.)	For one of 60 drawdowns tested in FY2017 through FY2019, MGO noted the grant revenue recorded exceeded the amount recorded on the drawdown request and the amount deposited in the bank (\$39,177.87) by \$724.66. Therefore, the transaction was not properly recorded (\$39,902.53).	Exceptions Noted.	MGO recommends that RHA conduct a monthly reconciliation between grant revenue recorded within MUNIS to the amounts reflected within the bank statement to ensure proper recording of revenue. Any variances should be investigated and the results documented and the reconciliation should be reviewed and approved by a Supervisor.	HACR concurs with the MGO finding. Currently, the practice of recording the grant revenues concurs with MGO recommendation. The funds drawn and received in the bank are recorded as grant revenue in MUNIS and that the entries were documented with copies of the voucher (drawdown request form) instead of the past practice of accruing the revenues prior to the draws that did not match the amounts drawn and received in the bank.
		For one of 60 transactions tested FY2017 through FY2019, the full amount of the Capital Fund grant drawdown was conducted during the year and the administrative fees may have been included within a drawdown request. However, the \$3,771.19 drawdown tested is not specifically identified.	Exceptions Noted.	MGO recommends that RHA document all expenditures associated with the Capital Fund grant to ensure all expenditures are appropriately captured.	The expenditures were analyzed and reconciled to identify amounts that were already reimbursed by prior draws and those that require reimbursement for a new draw.
		For one of 60 transactions FY2017 through FY2019, a drawdown request was not created as the transaction was for RHA recording revenue for the Part In Admin revenue provided by other housing authorities (\$2,712.65). As such, MGO was unable to determine whether this transaction was appropriately recorded.	Exceptions Noted.	MGO recommends that RHA document all drawdown requests.	A Drawdown Request Form was formed to document drawdown request that will be implemented that would identify the amount of expenditure that will be reimbursed and be approved by the Executive Director prior to submission to Finance.

Richmond Housing Authority
 Consulting Services of the Housing Authority of the City of Richmond (RHA)
 Phase II Section 2
 September 15, 2020
 Attachment A

Area Of Focus	Purpose of Testing	Observations	Conclusions	Recommendations	Management Response
Other Revenue Testing	Obtain general ledger detail of RHA's "Other Revenues" recorded in Munis financial system General Ledger. (Attribute #1 - Determine if the revenue recorded in Munis agrees with the amount reflected on the bank statement.)	Five of 43 transactions tested for FY2017 through FY2019, for a total of \$4,920.66, lacked proper supporting documentation. Per inquiry, these transactions were for the Repayment agreements established with landlords and the RHA if when a landlord receives a Section 8 Housing payment from the Housing Authority and was, however, ineligible to receive such payment. Per inquiry, Section 8 housing was transferred over to Contra Costa Housing Authority. The repayment agreements would be with them.	Exceptions Noted.	MGO recommends that RHA initiate a policy and procedure to maintain documentation of repayment agreements.	HACR concurs with the finding, however, since these revenues were associated with Section 8 program that was transferred to Contra Costa County Housing Authority, the policy will no longer apply. A policy will be formulated to enforce the rule if similar repayment agreement incur in the current set up in Low Income Public Housing.
		For one of 43 transactions tested, for a total of \$720.50, lacked proper supporting documentation. Per the RHA Senior Accountant, the original invoice amount was modified thus either voiding the invoice entirely and reissuing a new invoice or just modifying the original invoice. No further information is available. As such, MGO was unable to determine the proper accounting treatment.	Exceptions Noted.	MGO recommends that RHA initiate a policy and procedure to maintain documentation of original invoices, voids, adjustments and reissuing of invoices.	HACR concurs. HACR will follow the City's Accounts Payable policy as to the processing of invoices, voiding, adjustments as well as the reissuance of checks in MUNIS. The process of which will be documented and support documents will be kept in MUNIS if not in electronic folder already established for record keeping.
Other Revenue Testing	Obtain general ledger detail of RHA's "Other Revenues" recorded in Munis financial system General Ledger. (Attribute #2 - Determine if the revenue is appropriately recorded as other revenue based on the supporting documentation.)	Two of 43 transactions tested for FY2017 through FY2019, for a total of \$3,996.76, lacked proper supporting documentation. Per inquiry, these two transactions were a Journal Entry Correction. However, no further detail associated to this Journal Entry is available. As such, MGO was unable to determine the proper accounting treatment.	Exceptions Noted.	MGO recommends that RHA initiate a policy and procedure to maintain documentation associated with journal entry corrections.	
		For seven of 43 transactions tested for FY2017 through FY2019, for a total of \$9,682.08, lacked proper supporting documentation. Per inquiry, these transactions were for the Repayment agreements established with landlords and the RHA if when a landlord receives a Section 8 Housing payment from the Housing Authority and was, however, ineligible to receive such payment. Section 8 housing was transferred over to Contra Costa Housing Authority. The repayment agreements would be with them and no further documentation is available.	Exceptions Noted.	MGO recommends that RHA initiate a policy and procedure to maintain documentation of repayment agreements.	HACR concurs with the recommendation. Past practice has been ruled out and all current journal entries are documented that explained the adjustments and/or recording of the transactions which included copies of invoices or schedule of analysis to establish audit trail. The Repayment Agreement pertains to Section 8 Program and the records were transferred to Contra Costa County, however, a policy and procedure will be formulated if any similar repayment agreement incur and the records will be kept and maintain in compliance with record keeping policy.
Expenditure Detail Testing (Tenant Expenditures)	Obtain General Ledger detail of RHA's "Tenant Services, Ordinary Maintenance and Operation and General Expenditures" recorded in Munis financial system General Ledger for FY2017 through FY2019. (Attribute #3 - Vouch expenditure transactions to Munis financial system General Ledger to verify proper accounting treatment.)	For one of 21 transactions tested for FY2017 through FY2019, MGO determined it to be incorrectly recorded as a Tenant Expenditure and should be classified as a General Expenditure (\$63,622.50).	Exceptions Noted.	MGO recommends that RHA reclassify the transactions identified as exceptions to General Expenditures. MGO further recommends that RHA conduct a comprehensive reconciliation of all expenditures to identify any further expenditures that may be misclassified. Such reconciliation should be conducted on an annual basis, at a minimum, and should be reviewed and approved by a Supervisor.	HACR concurs with the MGO's findings and recommendations. As recommended, the comprehensive analysis of the expenditures will be conducted toward the end of the fiscal year prior to the closing so as not to distort the budget created by the purchase order processing. This is to ensure proper recording of the expense at the correct category, i.e. General Expenditures or Ordinary Maintenance and Operation. HACR will ensure that such reconciliation will be performed by HACR staff in an annual basis.
		For one of 21 transactions tested, MGO identified purchases for catering services for Nevin Plaza Christmas Party for 2016. Purchases were assorted foods, sodas and bottled water, paper plates, napkins and plastic utensils. However, due to the fact that this is not directly related to housing tenants, MGO determined it to be incorrectly recorded as a Tenant Expenditure and should be classified as a General Expenditure (\$1,160.44).	Exceptions Noted.	MGO recommends that RHA reclassify the transaction to General Expenditures. MGO further recommends that RHA conduct a comprehensive reconciliation of the Tenant Expenditure transactions to identify any further expenditures that may be misclassified. Such reconciliation should be conducted on an annual basis, at a minimum, and should be reviewed and approved by a Supervisor.	In response to the MGO recommendation and Mize inquiry, only the 2019 entries can be reclassified and corrected in the general ledger as the 2017 and 2018 fiscal years have been closed and adjustments can no longer be recorded in MUNIS. An exception can be made if MGO and Mize accept a paper adjustment (only in spreadsheets) for which the effect will not impact the financial reporting for 2017 and 2018. Also, in compliance with the recommendation, HACR should hire dedicated Finance staff of higher managerial capacity and support staff on payroll in order to exercise internal control checks and balances and segregation of duties.

Area Of Focus	Purpose of Testing	Observations	Conclusions	Recommendations	Management Response
Expenditure Detail Testing (Ordinary Maintenance and Operations)	Obtain General Ledger detail of RHA's "Tenant Services, Ordinary Maintenance and Operations and General Expenditures" recorded in Minis financial system General Ledger for FY2017 through FY2019. (Attribute #1 - Obtain back-up and related documentation for each expenditure transaction tested. Vouch expenditure transactions to back-up and related documentation to determine appropriateness of expenditure and proper authorizations for approval.)	Four of 146 transactions tested for FY2017 through FY2019, the supporting documentation lacked an authorization signature or initial (\$21,476.87).	Exceptions Noted.	MGO recommends that RHA ensure all invoices are properly approved.	HACR concurs with the findings. Staff reviewing invoices prior to payment processing must obtain prior approval from the Executive Director and/or Project Manager before payment. HACR will follow the City's Accounts Payable Procedures that require proper approval and documentation of invoices to be processed for payment. In addition, HACR will request for AP staff to double check the invoice to ensure the documents are properly signed.
		For two of 146 transactions tested for FY2017 through FY2019, supporting documentation was unavailable (therefore MGO was unable to determine the appropriateness and classification of the expenditure: \$339).	Exceptions Noted.	MGO recommends that RHA initiate a policy and procedure to maintain documentation of all expenditures.	
	Obtain General Ledger detail of RHA's "Tenant Services, Ordinary Maintenance and Operations and General Expenditures" recorded in Minis financial system General Ledger for FY2017 through FY2019. (Attribute #2 - Trace payments to monthly bank statements to verify correctness of expenditure (amount and payee).)	For one of 146 transactions tested for FY2017 through FY2019, the transaction was not listed on the bank statements, for the FY2018 RHA was unable to provide bank detail information and the transaction was not listed on the bank statements for \$14,399.50	Exceptions Noted.	MGO recommends that RHA correct the recording of this transaction, possibly by reversing the transaction.	
	Obtain General Ledger detail of RHA's "Tenant Services, Ordinary Maintenance and Operations and General Expenditures" recorded in Minis financial system General Ledger for FY2017 through FY2019. (Attribute #3 - Vouch expenditure transactions to Minis financial system General Ledger to verify proper accounting treatment.)	For two of 146 transactions tested for FY2017 through FY2019, MGO determined it to be incorrectly recorded as a Ordinary Maintenance and Operations Expenditure and should be classified as a General Expenditure (\$195,604.54).	Exceptions Noted.	MGO recommends that RHA reclassify the transactions to General Expenditures.	
		For two of 146 transactions tested for FY2017 through FY2019, MGO could not determine the recording for two transactions, as identified in attribute #1 above, due to lack of supporting documentation (\$389.00).	Exceptions Noted.	MGO recommends that RHA initiate a policy and procedure to maintain documentation of all expenditures.	
Expenditure Detail Testing (General Expenditures)	Obtain General Ledger detail of RHA's "Tenant Services, Ordinary Maintenance and Operations and General Expenditures" recorded in Minis financial system General Ledger for FY2017 through FY2019. (Attribute #1 - Obtain back-up and related documentation for each expenditure transaction tested. Vouch expenditure transactions to back-up and related documentation to determine appropriateness of expenditure and proper authorizations for approval.)	For 15 of 273 transactions tested for FY2017 through FY2019, proper authorization signature or initial was not included on supporting documentation (\$37,577.26).	Exceptions Noted.	MGO recommends that RHA ensure all invoices are properly approved.	HACR concurs with the MGO's findings and recommendations. As grant requirement, record keeping and maintenance must be practiced and exercised and any and all transactions recorded in the ledger must be documented properly with supporting documents such as invoices, statements, schedules of analysis and subsidiary ledgers and the like to establish audit trail. Also, as recommended, the comprehensive analysis of the expenditures will be conducted toward the end of the fiscal year prior to the closing or as not to distort the budget created by the purchase order processing. This is to ensure proper recording of the expense at the correct category, i.e. General Expenditures or Ordinary Maintenance and Operations. HACR will ensure that such reconciliation will be performed by HACR staff in an annual basis. To comply with the MGO recommendations as mentioned above, only the 2019 entries can be reclassified and corrected to the proper expenditure category as the 2017 and 2018 fiscal years have been closed and adjustments can no longer be made in MINIS. Unless and exception is acceptable, to accommodate the recommendation for 2017 and 2018, that adjustments can be made in paper only (spreadsheet). As emphasized in the above responses, HACR should have dedicated Finance staff and support staff that could perform the required accounting and recording functions as well as the practice of the separation of duties and responsibilities in accordance with the internal control checks and balances.
	Obtain General Ledger detail of RHA's "Tenant Services, Ordinary Maintenance and Operations and General Expenditures" recorded in Minis financial system General Ledger for FY2017 through FY2019. (Attribute #3 - Vouch expenditure transactions to Minis financial system General Ledger to verify proper accounting treatment.)	For three of 273 transactions tested FY2017 through FY2019, MGO determined that the transactions were incorrectly recorded as a General Expenditure and should be classified as an "Ordinary Maintenance and Operations" expenditure. (\$4,282.45).	Exceptions Noted.	MGO recommends that RHA reclassify the transactions to Ordinary Maintenance and Operations. MGO recommends that RHA conduct a comprehensive reconciliation of all expenditures to identify any further expenditures that may be misclassified. Such reconciliation should be conducted on an annual basis, at a minimum, and should be reviewed and approved by a Supervisor.	
		For three of 273 transactions tested for FY2017 through FY2019, supporting documentation was unavailable and therefore, MGO could not determine if the expenditure was properly classified. (\$397,890).	Exceptions Noted.	MGO recommends that RHA initiate a policy and procedure to maintain documentation of all expenditures.	



FINANCIAL CONSULTING SERVICES FOR THE RICHMOND HOUSING AUTHORITY

Board of Commissioners Meeting
October 20, 2020



PHASE II ASSESSMENT - FINANCIAL CONSULTING SERVICES REPORT TO THE HOUSING AUTHORITY OF THE CITY OF RICHMOND

Introduction

- In March 2018 the Housing Authority of the City of Richmond (RHA) entered into a Public Housing Authority Recovery and Sustainability (PHARS) agreement with the U.S. Department of Housing and Urban Development (HUD) to address operational deficiencies of RHA and the viability of preserving the RHA. The PHARS agreement required a financial assessment of RHA.
- In April 2018 RHA entered into a consulting agreement with Macias Gini & O'Connell LLP (MGO) for a Phase I Financial Assessment.
- In November 2018 MGO issued its Phase I Report to RHA which included an assessment of controls and operational compliance with the controls, and identified areas of risk of fraud and misconduct.
- In April 2019 RHA entered into a second consulting agreement with MGO for financial consulting services for a Phase II Assessment which focused on financial transactions that may have an impact on the financial statements of RHA and its related entities for fiscal years ending June 30, 2017 through June 30, 2019, as well as some account data from prior years.

PHASE II ASSESSMENT - FINANCIAL CONSULTING SERVICES REPORT TO THE HOUSING AUTHORITY
OF THE CITY OF RICHMOND

Areas of Focus

MGO conducted detail testing and evaluation procedures of the following areas:

- Cash and Bank-Related Activity
- Rental Revenues – Public Housing Program
 - Nystrom Village
 - Nevin Village
- HUD Grant Revenue
- Other Revenues
- Expenditure Detail and Yardi Payments
 - Tenant Expenditures
 - Ordinary Maintenance and Operations
 - General Expenditures

Areas of Focus (Continued)

Cash and Bank-Related Activity and Trial Balances

Procedures performed:

- Bank reconciliations for fiscal years 2017 through 2019 for the public housing bank accounts, and recreated Trial Balances for fiscal years 2017 and 2018 for the RHA Housing Corporation
- Identified unreconciled transactions, vouched to supporting documentation, traced to account activity in the financial system, and determined the appropriateness of accounting treatment
- Provided observations, prepared journal entries for reconciling items, and provided journal entries to RHA to record the transactions in the financial system

Recommendations:

- Other than implement procedures for timely on-going bank reconciliations, MGO had no additional recommendations in this area of focus

Areas of Focus (Continued)

Rental Revenues for Public Housing Program – Nystrom Village and Nevin Village

Procedures performed:

- Testing procedures for FY2017 through FY2019 by selecting 180 transactions to:
 - Vouch rental transactions to RHA's financial system to verify proper accounting treatment
 - Review each rental agreement and compare to public housing bank deposit support
 - Verify deposit of funds and identify variances from what should have been received
 - Selected a sample size of 30 transactions for each fiscal year for each housing project

Exceptions:

- MGO noted 30 exceptions in which the rent amount recorded and paid was less than the amount due per the rental agreements

Recommendations:

- Investigate underpayments
- Conduct on-going reconciliations of rental receipts and receivables

PHASE II ASSESSMENT - FINANCIAL CONSULTING SERVICES REPORT TO THE HOUSING AUTHORITY
OF THE CITY OF RICHMOND

Areas of Focus (Continued)

HUD Grant Revenue Testing

Procedures performed:

- Testing procedures for FY2017 through FY2019 by selecting 60 transactions to determine if:
 - Grant drawdown requests contained the appropriate signatures
 - Revenue recorded in RHA's financial system agreed with the amounts on the bank statements
 - Revenue was appropriately recorded as HUD public housing grant revenue based on the drawdown request or other information provided to MGO

Exceptions:

- MGO noted 27 exceptions (45% of sample tested) in which appropriate signatures were deficient
- MGO noted a \$750 difference between drawdown and amount deposited, indicating transaction improperly recorded

Recommendations:

- Implement a two signature policy (requester and approver)
- Document grant expenditures and drawdowns
- Conduct on-going reconciliations

Areas of Focus (Continued)

Other Revenue Testing

Procedures performed:

- Testing procedures for FY2017 through FY2019 by selecting 43 transactions to:
 - Determine the source of funds and purpose
 - Verify correctness and accuracy of revenues
 - Determine proper accounting treatment
 - Performing trend analysis procedures to analyze variances

Exceptions:

- MGO noted 7 exceptions that lacked proper supporting documentation

Recommendations:

- Implement policy to maintain written documentation of repayment agreements
- Implement policy and improve documentation of invoices and adjustments

PHASE II ASSESSMENT - FINANCIAL CONSULTING SERVICES REPORT TO THE HOUSING AUTHORITY
OF THE CITY OF RICHMOND

Areas of Focus (Continued)

Expenditure Testing

Tenant Services, Ordinary Maintenance and Operations, and General Expenditure

Procedures performed:

- Testing procedures for FY2017 through FY2019 by selecting 440 transactions to:
 - Determine the appropriateness of the expenditure and proper authorizations for approval
 - Verify the correctness of the expenditure (amount and payee)
 - Determine if the expenditure was properly recorded and classified

Exceptions:

- 33 transactions were incorrectly recorded
- 5 transactions lacked proper supporting documentation
- 19 transactions lacked proper authorization signatures
- 1 transaction was not listed on the bank statement

Recommendations:

- Reclassify expenditures to proper expenditure accounts
- Conduct comprehensive and on-going reconciliations (at least annually) of expenditures
- Initiate policy and procedures to ensure proper approvals and documentation is maintained

General Recommendations

RHA should:

- Consider the staffing resources necessary to properly account for, maintain, and manage RHA's complex financial transactions and related operations
- Review the appropriate levels of finance staffing, supervisory duties, and management oversight
- Consider the importance of and implement a staff-training plan to ensure proper accounting practices are followed
- Evaluate its internal control structure to ensure appropriate controls, policies, and procedures are established and practiced

PHASE II ASSESSMENT - FINANCIAL CONSULTING SERVICES REPORT TO THE HOUSING AUTHORITY
OF THE CITY OF RICHMOND

In Conclusion

- Bank reconciliations were performed for fiscal years 2017 through 2019 for the public housing bank accounts
- 723 financial transactions were tested and analyzed
- 123 exceptions were noted
- 11 specific recommendations were provided to RHA

Management's Response

RHA management concurs with MGO's recommendations and has begun implementing the changes suggested

QUESTIONS?

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