

**RICHMOND HOUSING AUTHORITY**  
**SINGLE AUDIT REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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**RICHMOND HOUSING AUTHORITY**

**SINGLE AUDIT REPORT  
For The Year Ended June 30, 2017**

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## SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit disclosed material weaknesses, but no significant deficiencies or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated May 9, 2021 which is an integral part of our audits and should be read in conjunction with this report.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit disclosed the following findings and questioned costs required to be reported in accordance with Uniform Guidance.

**Finding SA2017-001: Rent Reasonableness Determination**

**CFDA number:** 14.871

**CFDA Title:** Section 8 Housing Choice Vouchers

**Name of Federal Agency:** Department of Housing and Urban Development

**Federal Award Identification number and year:** CA-010 (2017)

**Criteria:** 24 CFR Section 982.507 requires Public Housing Authorities (PHA) that receive Section 8 housing choice vouchers to determine whether the rent paid to the owner is a reasonable rent in comparison to rent for other comparable unassisted units by considering the location, quality, size, unit type and age of the contract unit. The PHA is required to maintain records to document the basis for the determination that rent to owner is a reasonable rent.

**Condition:** We examined sixty Section 8 tenant files for new and existing tenants, and noted eleven instances in which there was not a rent reasonableness certificate to support rent increases in fiscal year 2017 or certificates to support rent over the previous three years.

**Effect:** The Housing Authority is not in compliance with the requirements as stated in 24 CFR Section 982.507.

**Cause:** We understand the missing certificates were due to staff turnover in the Housing Authority.

**Recommendation:** We recommend the Housing Authority develop procedures to ensure required documentation is properly maintained for all tenant files.

**View of Responsible Officials and Planned Corrective Actions:** Please see Corrective Action Plan separately prepared by the Housing Authority.

### SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

#### **Finding SA2017-002: Missing Utility Allowance Form**

**CFDA number:** 14.871 and 14.850

**CFDA Title:** Section 8 Housing Choice Vouchers, Public and Indian Housing

**Name of Federal Agency:** Department of Housing and Urban Development

**Federal Award Identification number and year:** CA-010 (2017)

**Criteria:** 24 CFR Section 982.517 requires Public Housing Authorities (PHA) to maintain an up-to-date utility allowance schedule. The PHA 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 revised.

**Condition:** We examined sixty Section 8 tenant files for new and existing tenants, and noted one instance in which there was not a utility allowance schedule noted in the tenant's file for fiscal year 2017. We also reviewed eighteen public housing tenant files and noted two instances in which there was not a utility allowance schedule noted in the tenants' files for fiscal year 2017.

**Effect:** The Housing Authority is not in compliance with the requirements as stated in 24 CFR Section 982.517.

**Cause:** It was noted the missing allowance schedules were due to staff oversight.

**Recommendation:** We recommend the Housing Authority develop procedures to ensure required documentation is properly maintained for all tenant files.

**View of Responsible Officials and Planned Corrective Actions:** Please see Corrective Action Plan separately prepared by the Housing Authority.

#### **Finding SA2017-003: Annual Housing Quality Standards**

**CFDA number:** 14.871

**CFDA Title:** Section 8 Housing Choice Vouchers

**Name of Federal Agency:** Department of Housing and Urban Development

**Federal Award Identification number and year:** CA-010 (2017)

**Criteria:** 24 CFR Sections 982.158(d) and 982.405(b) requires that Public Housing Authorities (PHA) must inspect the unit leased to a family at least annually to determine if the unit meets Housing Quality Standards (HQS) and the PHA must conduct quality control re-inspections. In addition, the PHA must prepare a unit inspection report.

**Condition:** We examined sixty Section 8 tenant files for new and existing tenants and noted two instances in which an HQS Inspection checklist was not included in the tenants' files.

**Effect:** The Housing Authority is not in compliance with the requirements as stated in 24 CFR Section 982.517(d) and 982.405(b).

**Cause:** It was noted the missing checklists were due to staff oversight.

**Recommendation:** We recommend the Housing Authority develop procedures to ensure required documentation is properly maintained for all tenant files.

**View of Responsible Officials and Planned Corrective Actions:** Please see Corrective Action Plan separately prepared by the Housing Authority.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

### **Finding SA2017-004: Incomplete Tenant File**

**CFDA number:** 14.871

**CFDA Title:** Section 8 Housing Choice Vouchers

**Name of Federal Agency:** Department of Housing and Urban Development

**Federal Award Identification number and year:** CA-010 (2017)

**Criteria:** Public Housing Authorities (PHA) are required to maintain up to date files for all new and existing tenants. Files should include all required forms and documentation as stipulated in 24 CFR Section 982.

**Condition:** We reviewed sixty Section 8 tenant files for new and existing tenants, and noted one instance in which the file appeared to be incomplete and missing all requisite forms and documentation.

**Effect:** The Authority is not in compliance with the requirements as stated in 24 CFR Section 982.

**Cause:** We reviewed a memo dated January 8, 2018 in the file noting a miscoding between RHA staff members in regard to the assigning of the file. The case was uploaded to one staff member, but was assigned to another one, and as a result, the required file documentation was not completed for fiscal year 2017.

**Recommendation:** We recommend the Housing Authority develop procedures to ensure required documentation is properly maintained for all tenant files.

**View of Responsible Officials and Planned Corrective Actions:** Please see Corrective Action Plan separately prepared by the Housing Authority.

### **Finding SA2017-005: Timeliness and Accuracy of Voucher Payments**

**CFDA number:** 14.871

**CFDA Title:** Section 8 Housing Choice Vouchers

**Name of Federal Agency:** Department of Housing and Urban Development

**Federal Award Identification number and year:** CA-010 (2017)

**Criteria:** 24 CFR part 982 requires that monthly housing assistance payments on behalf of tenants to landlords be made in accordance with the tenants' Housing Assistance Payment (HAP) contract for the Section 8 Housing Choice Vouchers (HCV) program. Payments made should be processed in a timely manner, usually at the beginning of each month, and the payments should be made in the correct amount each month in accordance with the HAP contracts for the tenants.

**Condition:** We tested sixty HCV tenants' HAPs in June 2017 and noted the following:

- Five tenants were not paid,
- One tenant was paid in the amount of \$1,225, however the payment should have been made in the amount of \$1,048,
- One tenant was paid in the amount of \$1,171, however the payment should have been made in the amount of \$1,311,
- One tenant was paid in the amount of \$2,121, however, the payment should have been made in the amount of \$2,195,
- The May 2017 HAP for one tenant was not paid to the tenant in May, instead the May payment amount was included in the June 2017 HAP check to the tenant.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, (Continued)**

**Finding SA2017-005: Timeliness and Accuracy of Voucher Payments (Continued)**

**Effect:** When HAPs are not paid timely or correctly, the Authority runs the risk of unpaid contracts and the Authority is not in compliance with the housing payment requirements for the HCV program.

**Cause:** The above condition was caused by staff turnover and management oversight.

**Questioned Costs:** We questioned \$177 that was charged to the program.

**Recommendation:** The Authority must develop procedures to ensure that payments are made timely and accurately in accordance with grant requirements.

**View of Responsible Officials and Planned Corrective Actions:** Please see Corrective Action Plan separately prepared by the Authority.

**Finding SA2017-006: Missing Tenant File**

**CFDA number:** 14.850

**CFDA Title:** Public and Indian Housing

**Name of Federal Agency:** Department of Housing and Urban Development

**Federal Award Identification number and year:** CA-010 (2017)

**Criteria:** Public Housing Authorities (PHA) are required to maintain up to date files for all new and existing tenants. Files should include all required forms and documentation as stipulated in 24 CFR Section 982.

**Condition:** We reviewed eighteen public housing tenant files and noted one instance in which the Housing Authority was unable to locate the file.

**Effect:** The Housing Authority is not in compliance with the requirements as stated in 24 CFR Section 982.

**Cause:** We understand the missing file was due to staff oversight in the Housing Authority.

**Recommendation:** We recommend the Housing Authority develop procedures to ensure required documentation is properly maintained for all tenant files.

**View of Responsible Officials and Planned Corrective Actions:** Please see Corrective Action Plan separately prepared by the Housing Authority.

**RICHMOND HOUSING AUTHORITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2017**

<b>Federal Grantor/ Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
Department of Housing and Urban Development Direct Programs:		
Public and Indian Housing	14.850	\$2,316,326
Section 8 Housing Choice Vouchers	14.871	20,228,236
Public Housing Capital Fund	14.872	<u>393,965</u>
Total Department of Housing and Urban Development		<u>22,938,527</u>
Total Expenditures of Federal Awards		<u><u>\$22,938,527</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**RICHMOND HOUSING AUTHORITY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended June 30, 2017**

**NOTE 1-REPORTING ENTITY**

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

**NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 – INDIRECT COST ELECTION**

The Authority has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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**INDEPENDENT AUDITOR'S 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***

Commissioners of  
Richmond Housing Authority  
Richmond, California

We have audited, in accordance with auditing standards generally accepted 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, the financial statements of the business-type activities, the aggregate discretely presented component units, of the Richmond Housing Authority (Authority), a component unit of the City of Richmond, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 9, 2021. Our report included an emphasis of a matter paragraph disclosing restatements of the beginning net positions and a reference to other auditors who audited the financial statements of the RHA Housing Corporation, as described in our report on the Authority's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors. In addition, our report qualifies the opinion on the Authority's business-type activities due to the following:

- The Authority did not appear to maintain a reliable system to ensure that appropriate tenant rent revenues are collected and recorded into its general ledger. In comparing selected tenant revenues recorded in the Authority's general ledger to supporting tenant files, our testing showed an error rate of 18%.
- We were unable to verify \$791,900 of adjustments posted by the Authority that reduced the beginning balances of net position and various assets and liability accounts. In addition, the Statement of Net Position at June 30, 2017, prepared by the Authority, did not balance by \$120,933 with credits exceeding debits. As a result, this difference was reported as Other Debits on the Authority's Statement of Revenues, Expenses and Change in Net Position for the fiscal year ended June 30, 2017.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in our separately issued Memorandum on Internal Control dated May 9 2021, which is an integral part of our audits and should be read in conjunction with this report, we identified certain deficiencies in internal control that we consider to be material weaknesses.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 or other matters that are required to be reported under *Government Auditing Standards*.

### ***Authority's Response to Findings***

The Authority's response to the findings identified in our audit are described in our separately issued Memorandum on Internal Control dated May 9, 2021, which is an integral part of our audits and should be read in conjunction with this report. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pleasant Hill, California  
May 9, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Commissioners of  
Richmond Housing Authority  
Richmond, California

***Report on Compliance for Each Major Federal Program***

We have audited the Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Authority's major federal programs for the year ended June 30, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the Authority's compliance.

***Basis for Qualified Opinion on CFDA# 14.871 Section 8 Housing Choice Vouchers Program***

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding CFDA #14.871 Section 8 Housing Choice Vouchers Program as described in finding numbers SA2017-001, SA2017-002, SA2017-003 and SA2017-004 for Special Tests and Provisions, Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

### ***Qualified Opinion on Section 8 Housing Choice Vouchers Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the CFDA #14.871 Section 8 Housing Choice Vouchers Program for the year ended June 30, 2017.

### ***Unmodified Opinion on the Other Major Federal Program***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

### ***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items SA2017-005 and SA2017-006. Our opinion on each major federal program is not modified with respect to these matters.

The Authority's response to the noncompliance findings identified in our audit are described in the corrective action plan separately issued by management. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### ***Report on Internal Control Over Compliance***

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items SA2017-001, SA2017-005, and SA2017-006 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items SA 2017-002, SA2017-003, and SA2017-004 to be significant deficiencies.

The Authority's response to the internal control over compliance findings identified in our audit are described in the *corrective action plan* separately issued by management. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### ***Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance***

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, of the Authority as of and for the year ended June 30, 2017 and have issued our report thereon dated May 9, 2021, which contained a qualified opinion and an unmodified opinion on those financial statements. Our report includes a reference to other auditors who audited the discretely presented component unit financial statements of the RHA Housing Corporation as of and for the year ended December 31, 2016, as described in our report on the Authority's financial statements. Our report, insofar as it relates to the results of the other auditors, is based solely on the report of the other auditors. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Pleasant Hill, California  
May 9, 2021

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