



# Yolo County Housing

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DATE: April 19, 2012  
TO: YCH Housing Commission  
FROM: Lisa A. Baker, Executive Director  
BY: Mark Stern, Finance Director  
SUBJECT: **Review, Approve and Accept the FY 2010-2011 Audit for Yolo County Housing**

## **RECOMMENDED ACTIONS:**

That the Board of Commissioners review, approve and accept the FY 2010-2011 Yolo County Housing audit.

## **BACKGROUND / DISCUSSION**

Staff presents the audit report from our independent Certified Public Accounting firm for the fiscal year ended June 30, 2011. The auditors have issued an unqualified opinion on the financial statements and a qualified opinion on compliance with requirements applicable to each major program and on internal control over compliance with Circular OMB A-133.

There are a total of four (4) findings included in the audit report, three of which are continuation findings from prior years. As stated in prior reports to the Board, YCH has made significant progress in improving financial viability of the organization – coming from breaking the 2005-2006 audit and reclassifying expenditures, to receiving a “going concern” finding by the auditors after HUD’s evaluation of YCH as a “non-viable entity” in 2006-2007. At one point, HUD held open the 2007 audit until May 2011 due to the severity of issues incurred during the prior administration.

During the last five years the agency has made significant procedural improvements to eliminate or reduce the severity of identified audit findings. As a result, YCH has become a HUD High Performing Agency in both Public Housing and Housing Vouchers and was named PHA of the Year for 2010 by HUD’s San Francisco Regional Office.

The four (4) findings in the 2010-2011 audit are as follows:

2011-1 Segregation of Duties - This issue continues to be a finding primarily because of agency size and limitations on revenue. Several procedures have been implemented since this finding was first noted several years ago, but without having more staff to share duties, best practice segregation cannot be accomplished. Research into third party rent collection services conducted after last year’s audit found the cost to be excessive for the number of units YCH owns and manages. After the 2010-2011 audit period, an additional segregation procedure was implemented that should help resolve this longstanding issue. On-site housing staff are no longer permitted to enter deposits into the accounts receivable system. Copies of every deposit along with receipts

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issued and money order or checks received are submitted to the finance department for entry into the system. In addition, the Finance Department now issues quarterly statements to residents showing current status and amounts owing, if any, so that residents have a better understanding of, and control over, their individual status.

2011-2 Public Housing Tenant Files - Documents missing from tenant files are a continuation of 2008-2009 and 2009-2010 findings. Housing Management staff has committed to standardizing files to facilitate locating specific documents. All missing documents identified in the audit have been located and placed in the files. New procedures have been implemented to ensure that all required documents are included in all files. A new Housing Specialist has been hired to consolidate the application process through one staff member who has been specifically trained in this process.

2011-3 Intercompany Accounts Review – This is a continuation finding which is far less severe than it was in 2009-2010. The previous finding related to the Housing Choice Voucher (HCV) program has been completely eliminated and the finding related to Low Rent Public Housing (LRPH) is less than half of what it was last year. This is a longstanding issue that dates back to 2006 and before. A software specialist was brought in from TenMast after the 2009-2010 audit to help identify problems in the initial setup of the accounting software. Staff continues to research the sources of past questionable transactions that appear in the general ledger in order to correct them. Current procedures have been implemented to assure that no funds are inappropriately transferred among the various YCH programs.

2011-4 Capital Fund Cluster – This is a new finding of one isolated instance of claiming Capital Funds from HUD and making payment to the vendor more than three days after receipt of those funds. The item in question represented \$1,355 out of a \$107,683 claim. Payment was made to the vendor within two weeks of receipt. During the course of the year, YCH submitted Capital Fund Vouchers for over \$1,000,000 with no other instances of delayed payment to the vendor.

The online submission of the audit to the federal clearinghouse was submitted prior to the federal March 31, 2011 due date.

The audit report is on record at the Clerk of the Board. Interested persons can review the report at either the Clerk of the Board at 625 Court Street, or at the office of the YCH at 147 W. Main Street, Woodland, CA during normal business hours.

Staff wishes to thank the auditors, Reznick Group, P.C., for its conscientious approach during the audit process.

## **FISCAL IMPACT**

Agency-wide YCH had net income of \$1,346,867. The primary components of the gain were:

- HCV Voucher Funding exceeds payments by \$138,142. This gain is restricted for use in the HCV Voucher program.
- HCV Administrative Funding exceeds expenses by \$108,947. This gain is restricted for use within the HCV program.

- Low Rent Public Housing had net income of \$625,147. This primarily resulted from Capital Fund Income for Capitalized Building Improvements classified as depreciable assets. The income is restricted for use within the LRPB Program.
- COCC recorded net income of \$405,781. The primary source of this unrestricted income was the dissolution of California Housing Authority Risk Management Association (CHARMA) which was the YCH property and liability insurance company for many years. The funds received from this dissolution were distributed to YCH programs to be used for Other Post Employment Benefits (OPEB) expenses incurred during the 2010-2011 year. The balance is held as the YCH Development Fund for use in agency expansion.

**CONCLUSION:**

Staff recommends that the Board receive and approve the audit as submitted.

**Attachment:**            Audit Report on file with the Clerk of the Board.