

Napa County

Auditor-Controller

Internal Audit Report

Quarterly Monitoring Napa County Housing Authority

For the Quarter Ended June 30, 2022

Report Date: August 10, 2022



A Tradition of Stewardship
A Commitment to Service

Tracy A. Schulze, CPA
Auditor-Controller

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Tracy A. Schulze
Auditor-Controller

August 10, 2022

Napa County Housing Authority
Napa, CA

Executive Summary

The internal audit section of the Napa County Auditor-Controller's Office has completed a quarterly monitoring for Napa County Housing Authority (Authority) for the quarter ended June 30, 2022.

We conducted our review in conformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)* established by the Institute of Internal Auditors. These *Standards* require that we identify, analyze, evaluate, and document sufficient information and evidence to achieve our objectives; and that the internal audit activity be independent, objective, and perform engagements with proficiency and due professional care.

Based on our review, we believe that California Human Development Corporation (CHDC) was in compliance with the policies and procedures established by the Authority's Board of Directors for the quarter ended June 30, 2022. However, during testing, we did note one general ledger entry error when recording revenue (deposit).

This report is a matter of public record and is intended solely for the information and use of the Napa County Housing Commission's Commissioners, Authority's Board of Directors, Napa County's Board of Supervisors, County Executive Office, and CHDC's management.

I want to thank the internal audit team, CHDC, and the Authority for their expertise and professionalism in conducting this engagement.

Sincerely,

A handwritten signature in blue ink, appearing to read "T. Schulze".

Tracy A. Schulze, CPA
Auditor-Controller

**Quarterly Monitoring
Napa County Housing Authority
For the Quarter Ended June 30, 2022**

Background and Authority

Napa County Housing Authority (Authority), a public housing authority established pursuant to California Health and Safety Code section 342000 et seq., is the owner of three farm worker housing centers (Centers) located in Napa County:

- 1) River Ranch, located at 1109 Silverado Trail, St. Helena
- 2) The Calistoga Center, located at 3996 N. St Helena Highway, Calistoga
- 3) The Mondavi Center, located at 5585 Silverado Trail, Napa

The Authority is focused primarily on addressing the need for safe and affordable housing for farm workers, particularly those in the migrant/seasonal category who, in turn, support the agricultural industry of Napa County.

The Napa County Housing Commission (NCHC), an advisory body to the Authority and Napa County's Board of Supervisors, was reconstituted in late 2015 to expand its focus from overseeing the three Centers to including reviews of any project requesting funding from the County's Affordable Housing Fund.

The Authority has an Agreement with California Human Development Corporation (CHDC), a nonprofit corporation, to manage the day-to-day activities at the Centers. CHDC has designated employees, who are the Centers' Managers and a Fiscal Analyst, to be responsible for collection of lodger fees in accordance with the rates and policies established by the Authority's Board of Directors. The current rate for lodgers is \$14 per day. The Contractor is required to maintain lodger files, which contain a rental agreement, lodger photo ID, and verification of employment in agriculture. The Centers' Managers can maintain petty cash funds not to exceed \$250. The Centers' Managers are responsible for making timely deposits for any cash collected from the lodgers. The Fiscal Analyst maintains occupancy reports and rent reports. The Contractor is also responsible for the upkeep and maintenance of the facilities.

The Authority has engaged Napa County Auditor-Controller's Office to perform a quarterly monitoring over CHDC's compliance with the Authority's policies and procedures during fiscal year 2021-2022.

**Quarterly Monitoring
Napa County Housing Authority
For the Quarter Ended June 30, 2022**

Objective and Scope

The primary objective of this engagement was to determine if CHDC is complying with the policies and procedures established by the Authority's Board of Directors.

The scope includes a review of CHDC's and Authority's records for the quarter ended June 30, 2022.

**Quarterly Monitoring
Napa County Housing Authority
For the Quarter Ended June 30, 2022**

Procedures

To achieve our audit objective, our procedures included, but not limited to, the following:

1. Revenues

- a. Reconciled general ledger lodger and staff rent revenues to CHDC's records

2. Accounts Receivable

- a. Reported accounts receivable for lodgers, departed over/under 18 months
- b. Reported accounts receivable for current delinquent lodgers over/under \$420 (\$14 daily rate x 30 days)
- c. Reported recommended accounts receivable write-offs schedule by each center including lodger count

3. Prepaids

- a. Reported prepaids for lodgers, departed over/under 18 months
- b. Reported prepaids for lodgers with current prepaid balances
- c. Reported recommended prepaid write-offs schedule by each center including lodger count

4. Deposits

- a. Verified receipts are in numeric sequence
- b. Verified receipts are entered correctly on the rent reports on a sampling basis
- c. Verified bank deposits are processed timely when revenue exceeds \$1,500
- d. Verified lodger rent agrees with number of bed days on receipt
- e. Verified receipts are accurate (i.e. signature, method of payment, lodger number or voided properly)
- f. Verified lodger rent was not paid in arrears

5. Donations

- a. Verified donation letter or receipts for all donations received

**Quarterly Monitoring
Napa County Housing Authority
For the Quarter Ended June 30, 2022**

Procedures (continued)

6. Cash

- a. Performed cash count for each centers' petty cash, reconciled against the receipts/log, and agreed totals to amount allowable per policy
- b. Performed cash count of change fund at each center

7. Fixed Asset

- a. Performed a physical count of fixed assets

8. Lodger's Eligibility

- a. Verified lodger file list was complete and included information such as date in, date out, room number, permanent address, and signature on lodging agreement.
- b. Reviewed proof of lodger's eligibility with either paystub or letter from agricultural employer.

**Quarterly Monitoring
Napa County Housing Authority
For the Quarter Ended June 30, 2022**

Conclusion

Based on our review, we believe that California Human Development Corporation (CHDC) was in compliance with the policies and procedures established by the Authority's Board of Directors for the quarter ended June 30, 2022. However, during testing, we did note one general ledger entry error when recording revenue (deposit).

Procedures 1a requires Internal Audit to agree general ledger lodger and staff rent revenues to CHDC's occupancy and rent report. While general ledger entry was entered correctly for Calistoga, we found one general ledger entry error when recording revenue (deposit) for River Ranch and Mondavi Center. The error was due to incorrect data transfer from CHDC's cash transfer form to their deposit authorization worksheet. This resulted in revenue (deposit) recorded to the wrong farm worker housing center (i.e., deposit was recorded for Mondavi Center rather than River Ranch and vice-versa). This general ledger entry has been corrected. Authority staff should continue to review CHDC's backup support in detail before recording the revenue in the general ledger.

**Quarterly Monitoring
Napa County Housing Authority
For the Quarter Ended June 30, 2022**

Exhibit A

Accounts Receivable Schedule

Category	Amounts
Lodgers, departed for at least 18 months	
Total Recommended A/R Write-Offs	\$ 7,864.00
Lodgers, departed less than 18 months	1,778.00
Lodgers, current delinquent tenants with at least \$420 balance due	420.00
Lodgers, current tenants with less than \$420 balance due	1,218.00
Total Accounts Receivable	\$ 11,280.00

**Recommended
Accounts Receivable Write-offs**

(Lodgers, departed for at least 18 months)

Center	Lodger Count	Amounts
River Ranch	19	\$ 5,358.00
Mondavi	32	2,506.00
Calistoga	-	-
Total Recommended		
A/R Write-offs	51	\$ 7,864.00

Note – On July 26, 2022, the Board of Supervisors approved write-offs in the amount of \$4,994. This will be reflected in the audit report for quarter ending September 30, 2022.

**Quarterly Monitoring
Napa County Housing Authority
For the Quarter Ended June 30, 2022**

Exhibit B

Prepaid Schedule

<u>Category</u>	<u>Amounts</u>
Lodgers, departed for at least 18 months	
Total Recommended Prepaid Write-Offs	\$ 8,703.75
Lodgers, departed less than 18 months	210.00
Lodgers, current tenants with prepaid balances	696.00
Total Prepaids	<u><u>\$ 9,609.75</u></u>

**Recommended
Prepaid Write-offs**

(Lodgers, departed for at least 18 months)

<u>Center</u>	<u>Lodger Count</u>	<u>Amounts</u>
River Ranch	59	\$ 2,635.25
Mondavi	59	6,044.50
Calistoga	2	24.00
Total Recommended Prepaid Write-Offs	<u><u>120</u></u>	<u><u>\$ 8,703.75</u></u>

***Note** – On July 26, 2022, the Board of Supervisors approved write-offs in the amount of \$8,201.75. This will be reflected in the audit report for quarter ending September 30, 2022.*