County of Napa

Auditor-Controller

Internal Audit Report

Quarterly Monitoring
Napa County Housing Authority

For the Quarter Ended March 31, 2021

Report Date: May 27, 2021

A Tradition of Stewardship
A Commitment to Service

Tracy A. Schulze, CPA
Auditor-Controller

Table of Contents

Page

Executive Summary 1

Background and Authority 2

Objective and Scope 3

Procedures 3

Conclusion 4

Exhibit A – Accounts Receivable 7

Exhibit B – Prepaids 8

Engagement Team

Paul Phangureh, CPA, CIA, CGAP	Internal Audit Manager
Jenn Zhai	Staff Auditor

A Tradition of Stewardship
A Commitment to Service

Auditor-Controller
1195 Third Street · Room B10
Napa, CA 94559

Main: (707) 253-4551
Fax: (707) 226-9065
www.countyofnapa.org

Tracy A. Schulze
Auditor-Controller

May 27, 2021

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 March 31, 2021.

We conducted our review in conformance with the *International Standards for the Professional Practice 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) is not fully complying with the policies and procedures established by the Authority's Board of Directors for the quarter ended March 31, 2021. This report contains four observations including auditor's recommendations and managements' responses to improve CHDC's compliance with the policies and procedures established by the Authority's Board of Directors.

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 Officer, 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,

Tracy A. Schulze, CPA
Auditor-Controller

Quarterly Monitoring
Napa County Housing Authority
For the Quarter Ended March 31, 2021

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 night. 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 2020-2021.

Quarterly Monitoring
Napa County Housing Authority
For the Quarter Ended March 31, 2021

Objective and Scope

The primary objective of this engagement is 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 March 31, 2021.

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 nights 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 March 31, 2021

Conclusion

Based on our review, we believe that CHDC is not fully complying with the policies and procedures established by the Authority's Board of Directors for the quarter ended March 31, 2021. This report contains four observations including auditor's recommendations and managements' responses to improve CHDC's compliance with the policies and procedures established by the Authority's Board of Directors.

1. Unauthorized Removal of Accounts Receivable

Observation

Accounts receivable totaling $4,208.75 were removed from quarter ended June 30, 2020 rent reports without the Authority's Board of Directors approval. This observation is carried forward from the quarterly monitoring report, dated March 9, 2021, for quarter ended September 30, 2020.

Recommendation

CHDC should refrain from removing any accounts receivables from the rent reports without the Authority's Board of Directors approval. CHDC should recommend to the Authority's Board of Directors to approve writing-off these accounts.

CHDC's Response

CHDC agrees with the recommendation.

Authority's Response

On May 26, 2021, the Authority's and CHDC's staff requested from Napa County Housing Commission Commissioners to accept the write-off request of $4,208.75. The Commissioners accepted and will recommend to the Authority's Board of Directors to approve these write-offs at the next Authority's Board meeting scheduled in July 2021.

Conclusion (Continued)

2. Recommended Accounts Receivable Write-Offs

Observation

We noted three lodgers that departed at least 18 months ago with account receivable balances totaling $878 remaining on the rent report.

Recommendation

CHDC and the Authority should review all accounts receivable, determine collectability, and if outstanding by least 18 months, recommend to the Authority's Board of Directors to approve write-offs.

CHDC's Response

CHDC agrees with the recommendation.

Authority's Response

The Authority team overseeing CHDC's staff is going through a transition period due to a departure of a key team member. We expect to have our team identified before the end of the current fiscal year. However, we will start working with CHDC's staff to implement auditor's recommendations as soon as possible.

Conclusion (Continued)

3. Recommended Prepaid Write-Offs

Observation

We noted 92 lodgers that departed at least 18 months ago with prepaid account balances totaling $4,163.75 remaining on the rent reports.

Recommendation

CHDC and the Authority should review all prepaid accounts, and if older by at least 18 months, recommend to the Authority's Board of Directors to approve write-offs.

CHDC's Response

CHDC will work with the Authority to review the "Collection Monitoring – Prepaid Lodger Accounts" policy and procedures approved by the Authority's Board of Directors on May 18, 2018 for guidance on writing-off abandoned prepaid accounts. If the Authority's Board of Directors approve, CHDC will work with the Authority to record an accounting entry to decrease revenue and increase a liability account for the abandoned prepaid accounts. CHDC and the Authority will maintain a list of abandoned prepaid accounts for five years before recognizing the prepaid as revenue. Any abandoned prepaid balances requiring remittance to the State of California will be based on the State of California's instructions.

Authority's Response

The Authority team overseeing CHDC's staff is going through a transition period due to a departure of a key team member. We expect to have our team identified before the end of the current fiscal year. However, we will start working with CHDC's staff to implement auditor's recommendations as soon as possible.

Conclusion (Continued)

4. Deposit Recordings Errors

Observation

We tested at least 20% of deposits from each center including at least one deposit each month from each center. If an error was found, we tested 40% of the center's deposits for the quarter. We noted 4 out of 12 deposits were not processed in accordance with the approved policy and procedures established by the Authority's Board of Directors.

Mondavi Center

We tested 4 out of 10 deposits and noted the following errors on 2 deposits:

- Deposit (1/19/2021)
  - Receipt (#163047) was missing the room number and the Center Manager's signature
- Deposit (1/29/2021)
  - Receipt (#163059) did not agree to information on the rent report
  - Deposit was not processed timely; deposit exceed $1,500 on 1/26/2021; deposit should have been made on Wednesday, 1/27/2021

River Ranch

We tested 5 out of 12 deposits and noted the following errors for 2 deposits:

- Deposit (1/4/2021)
  - Three receipts did not agree with the number of bed nights listed:
    - Receipt (#017236) should be $112 for 8 bed nights, but receipt shows $98; a difference of $14 was underpaid.
    - Receipt (#017255) should be $252 for 18 bed nights but receipt shows $266; a difference of $14 was overpaid.
    - Receipt (#017257) should be $462 for 33 bed night but receipt shows $378; a difference of $84 was underpaid.
  - One receipt (#017242) was voided incorrectly (i.e. missing the original receipt)
  - One receipt (#017251) was missing the receipt date
- Deposit (2/10/2021)
  - One receipt(#017273) was missing lodger number

Conclusion (Continued)

4. Deposit Recordings Errors (Continued)

Calistoga

We tested 3 out of 15 deposits and found no errors.

Recommendation

CHDC and the Authority should review the "Lodging Revenue and Deposit" policy and procedures approved by the Authority's Board of Directors on March 17, 2009 as well as providing additional training to staff.

CHDC's Response

CHDC agrees with the recommendation and will provide additional training to all staff.

Authority's Response

The Authority team overseeing CHDC's staff is going through a transition period due to a departure of a key team member. We expect to have our team identified before the end of the current fiscal year. However, we will start working with CHDC's staff to implement auditor's recommendations as soon as possible.

Quarterly Monitoring
Napa County Housing Authority
For the Quarter Ended March 31, 2021

Exhibit A

Accounts Receivable Schedule

Category	Amounts
Lodgers, departed for at least 18 months; these lodgers were removed from quarter ended June 30, 2020 rent reports without Board approval	$ 4,208.75
Lodgers, departed for at least 18 months	
Total Recommneded A/R Write-Offs	878.00
Lodgers, departed less than 18 months	11,452.00
Lodgers, current delinquent tenants with at least $420 balance due	1,722.00
Lodgers, current tenants with less than $420 balance due	6,076.00
Total Accounts Receivable	**$ 24,336.75**

Recommended
Accounts Receivable Write-offs
(Lodgers, departed for at least 18 months)

Center	Lodger Count	Amounts
River Ranch	31	$ 2,019.00
Mondavi	36	2,189.75
Sub-total	**67**	**4,208.75**
River Ranch	3	654.00
Mondavi	3	224.00
Calistoga	-	-
Sub-total	**6**	**878.00**
Total Recommended A/R Write-offs	73	**$ 5,086.75**

Quarterly Monitoring
Napa County Housing Authority
For the Quarter Ended March 31, 2021

Exhibit B

Prepaid Schedule

Category	Amounts
Lodgers, departed for at least 18 months	
Total Recommneded Prepaid Write-Offs	$ 4,163.75
Lodgers, departed less than 18 months	8,232.00
Lodgers, current tenants with prepaid balances	5,596.00
Total Prepaids	**$17,991.75**

Recommneded
Prepaid Write-offs

(Lodgers, departed for at least 18 months)

Center	Lodger Count	Amounts
River Ranch	57	$ 1,567.25
Mondavi	33	2,572.50
Calistoga	2	24.00
Total Recommended Prepaid Write-Offs	**92**	**$ 4,163.75**