

Napa County

Auditor-Controller

Internal Audit Report

Napa County Housing Authority
Quarterly Monitoring
Internal Controls Review

For the Quarter Ended March 31, 2025

Report Date: April 18, 2025



A Tradition of Stewardship
A Commitment to Service

Tracy A. Schulze, CPA
Auditor-Controller

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Internal Audit

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A Tradition of Stewardship
A Commitment to Service

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Auditor-Controller

April 18, 2025

Napa County Housing Authority
Napa, CA

Executive Summary

The Internal Audit section of the Napa County Auditor-Controller's Office (Internal Audit) has completed its quarterly monitoring of the Napa County Housing Authority (the Authority) for the quarter ended March 31, 2025.

We conducted our review in conformance with the *Global Internal Audit Standards (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 conclude that, overall, 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 March 31, 2025, subject to the observations noted in this report.

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, the 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's staff for their expertise and professionalism in conducting this engagement.

Sincerely,

Christine Hernandez
Deputy Auditor-Controller

**Quarterly Monitoring
Napa County Housing Authority
For the Quarter Ended March 31, 2025**

Background and Authority

The 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.

Reconstituted in late 2015, the Napa County Housing Commission (NCHC) serves as an advisory body to both the Napa County Housing Authority and the County Board of Supervisors. Its role was expanded beyond oversight of the three Centers to include the review of all projects seeking funding from the County's Affordable Housing Fund.

The Authority has an agreement with CHDC, a nonprofit organization, to manage the daily operations of the Centers. CHDC assigns staff—including Center Managers and a Fiscal Analyst—who are responsible for collecting lodger fees in accordance with the rates and policies set by the Authority's Board of Directors. Currently, the lodger fee is \$17 per day.

CHDC is also responsible for maintaining complete lodger files, which must include a signed rental agreement, a copy of the lodger's photo identification, and documentation verifying employment in agriculture. Center Managers are permitted to manage petty cash funds not to exceed \$250 and must ensure that any cash received from lodgers is deposited promptly. The Fiscal Analyst is tasked with preparing occupancy and rent reports. Additionally, CHDC oversees the general upkeep and maintenance of the facilities.

The Authority has engaged the Napa County Auditor-Controller's Office to conduct quarterly monitoring of CHDC's compliance with the Authority's policies and procedures throughout fiscal year 2024–25.

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Objective and Scope

The primary objective of this engagement was to assess CHDC's compliance with the policies and procedures established by the Authority's Board of Directors. The scope of the review includes an examination of both CHDC's and the Authority's records for the quarter ending March 31, 2025.

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 \$510 (\$17 daily rate x 30 days)
- c. Reported recommended accounts receivable write-offs schedule by each center including lodger count (Exhibit A)

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 (Exhibit B)

4. Collections and Deposits

- a. Selected a sample of all deposits for the quarter and traced back to Occupancy reports for accuracy and completeness
- b. Verified receipts are in numerical sequence
- c. Verified physical rent receipt numbers are entered correctly on the Occupancy reports on sampled deposits
- d. Verified bank deposits are processed timely when revenue exceeds \$1,500
- e. Verified lodger rent agrees with number of bed days on receipt

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- f. Verified receipts are accurate (i.e., signature, method of payment, lodger number or voided properly)
- g. Verified lodger rent was not paid in arrears (i.e., rents paid for prior periods of occupancy)

5. Donations

- a. Verified reporting for all donations

Observations

1. Prepaid Rents

A review of the Rent Report for River Ranch identified four lodgers with prepaid rent balances whose departure dates occurred in 2023, exceeding the 18-month reporting threshold. These accounts were omitted from the rent reports for the first and second quarters of the current fiscal year, resulting in an under-reporting of Prepaid Rents for those periods. Internal Audit reviewed the rent reports for fiscal year 2023–24 and determined that these accounts were last included in the June 2024 report. Additionally, we confirmed that these accounts were not part of the prepaid rent write-offs approved by the Board in June 2024.

The Prepaid Rent Accounts for River Ranch recommended for write-offs in Exhibit B are:

Lodger #	1st Night of Occupancy	Last Night of Occupancy	Prepaid Rent (\$)
22-91	08/04/22	10/26/22	75
23-7	02/05/23	04/27/23	105
23-51	03/24/23	03/25/23	90
23-53	03/29/23	05/07/23	30
23-54	03/29/23	05/07/23	30

2. Accounts Receivable

A review of rent reports across all three Centers identified 21 lodgers who had departed with outstanding rents due totaling \$4,234. Of these, two accounts have exceeded the

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18-month threshold and are included in Exhibit A as candidates for potential write-off, pending the outcome of any further collection efforts. Approximately 86% of these departures occurred in 2024-2025.

Lodger #	1st Night of Occupancy	Last Night of Occupancy	Rents Due (\$)
Calistoga			
24-61	01/12/24	02/29/24	\$ 224
24-37	12/31/23	01/10/24	176
Mondavi			
22-56	01/26/22	10/10/22	390 Exhibit A
22-111	09/04/22	10/05/22	480 Exhibit A
24-33	12/24/23	10/26/24	136
24-35	12/24/23	02/29/24	464
24-46	12/29/23	10/25/24	119
24-55	01/06/24	01/22/24	160
24-67	01/17/24	03/02/24	80
24-80	02/23/24	09/06/24	408
24-81	02/23/24	09/06/24	408
24-92	04/03/24	11/07/24	17
24-106	08/02/24	08/13/24	68
24-116	10/02/24	11/08/24	17
27	01/04/25	03/24/25	170
57	01/29/25	02/01/25	68
River Ranch			
23-21	02/05/23	11/22/23	16
24-6	02/04/24	10/31/24	170
24-81	06/04/24	10/07/24	17
24-85	07/17/24	09/25/24	408
24-127	11/22/24	12/20/24	238
			\$ 4,234

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Conclusion and Recommendations

Departures with outstanding rents due pose an ongoing risk of revenue loss. The chart below provides a quarterly snapshot of total liabilities for fiscal year 2024–25. The reduction observed in Q3 reflects the write-off of \$1,472, as authorized by the Board in June 2024 and subsequently cleared from the rent reports in January 2025.

Departures With Rent Due	Quarter-Ended 9/30/2024	Quarter-Ended 12/31/2024	Quarter-Ended 3/31/2025
Calistoga	1,399	906	400
Mondavi	2,685	2,957	2,985
River Ranch	1,164	1,589	849
	<u>\$ 5,248</u>	<u>\$ 5,452</u>	<u>\$ 4,234</u>

Data Source: CHDC Monthly Rent Reports (Departures Only)

During our year-end site visits to each farm center, Internal Audit reviewed a sample of lodger files to assess compliance with required documentation standards. We found that most files included minimal contact information beyond a phone number. We recommend that CHDC consider collecting additional contact details – such as an address, email address, or alternate phone number – at the time of move-in. This would better support efforts to return prepaid rents or follow up on unpaid balances after a lodger’s departure.

Internal Audit further recommends that CHDC develop written procedures for Center Managers outlining steps for rent collection prior to lodger departure, as well as follow-up actions when rents are not collected. Additionally, a status report on collection efforts should be included with each quarter-end rent report.

With the noted observations, our review concludes that, overall, CHDC was in compliance with the policies and procedures established by the Authority’s Board of Directors for the quarter ended March 31, 2025.

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Exhibit A

Accounts Receivable Schedule	
Category	Amounts
Lodgers, departed for at least 18 months	
Total Recommended A/R Write-Offs	\$ 870
Lodgers, departed less than 18 months	3,364
Lodgers, current delinquent tenants with at least \$510 balance due	-
Lodgers, current tenants with less than \$510 balance due	3,451
Total Accounts Receivable	\$ 7,685

Recommended Accounts Receivable Write-offs		
<i>(Lodgers, departed for at least 18 months)</i>		
Center	Lodger Count	Amounts
River Ranch	0	\$ -
Mondavi	2	870
Calistoga	0	-
Total Recommended A/R Write-offs	2	\$ 870

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Exhibit B

Prepaid Schedule

Category	Amounts
Lodgers, departed for at least 18 months	
Total Recommended Prepaid Write-Offs	\$ 330
Lodgers, departed less than 18 months	257
Lodgers, current tenants with prepaid balances	15,623
Total Prepaids	<u><u>\$ 16,210</u></u>

Recommended Prepaid Write-offs

(Lodgers, departed for at least 18 months)

Center	Lodger Count	Amounts
River Ranch	5	\$ 330
Mondavi	0	-
Calistoga	0	-
Total Recommended Prepaid Write-Offs	<u><u>5</u></u>	<u><u>\$ 330</u></u>