

Napa County

Auditor-Controller

Internal Audit Report

Napa County Housing Authority
Quarterly Monitoring
Internal Controls Review

For the Quarter Ended December 31, 2024

Report Date: January 22, 2025



A Tradition of Stewardship
A Commitment to Service

Tracy A. Schulze, CPA
Auditor-Controller

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Tracy A. Schulze
Auditor-Controller

January 22, 2025

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 December 31, 2024.

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 believe 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 December 31, 2024, with exceptions noted in the following 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, 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,

Tracy A. Schulze, CPA
Auditor-Controller

**Quarterly Monitoring
Napa County Housing Authority
For the Quarter Ended December 31, 2024**

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.

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 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 \$17 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 2024-25.

Napa County Housing Authority
Quarterly Monitoring
For the Quarter Ended December 31, 2024

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 December 31, 2024.

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 numeric sequence
- c. Verified physical rent receipt numbers are entered correctly on the Occupancy reports on sampled deposits

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Procedures (continued)

- d. Verified bank deposits are processed timely when revenue exceeds \$1,500
- e. Verified lodger rent agrees with number of bed days on receipt
- 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

Verified reporting for all donations

Exceptions

1. Accounts Receivable and Prepaid Rents

On June 25, 2024 the Housing Authority approved the write-off of \$28 in Pre-Paid rents and \$1,472 in write-off for uncollected rents in Accounts Receivable, where the lodger's date of departure had exceeded 18 months.

The write-offs were found not to have been recorded on the Occupancy Reports after Board approval, and the lodgers remained on the Rent Reports. It was also discovered that receivables were being recorded for the quarter for a lodger who had departed in September, but no departure date had been entered into the system to stop the automatic posting of rents due.

This resulted in over reporting of the Prepaid Rents and the Accounts Receivable for both Q1 and Q2 for Fiscal Year 2024-25. Internal Audit notified CHDC of the unrecorded write-offs and CHDC issued a corrected Occupancy Report for the quarter-ended December 31, 2024. The Rent Reports will need to be updated in January 2025 to reflect the removal of the lodgers whose pre-paid rent and rents due had been written off on June 25, 2024.

Internal Audit has adjusted the total Pre-Paid and Receivables in Exhibit A and Exhibit B to reflect the corrections to be made by CHDC on the Occupancy Report and Rent Reports.

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Exceptions (continued)

2. Collections and Deposits

CHDC reported a total of 58 deposits for the quarter. Internal Audit used a sample size of 45% of all deposits to conduct the procedural review of 4. *Collections and Deposits.*

During the review we found five receipts where rents had been collected in arrears (*for prior periods of occupancy*). These were rents collected in October for September occupancy.

Four receipts were issued for refunded rents. However, the receipts were not signed by the lodger as required to verify receipt of the funds.

These exceptions were shared with CHDC by Internal Audit for training purposes.

Conclusion

With the noted exceptions, 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 December 31, 2024.

**Quarterly Monitoring
Napa County Housing Authority
For the Quarter Ended December 31, 2024**

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	3,110
Lodgers, current delinquent tenants with at least \$510 balance due	-
Lodgers, current tenants with less than \$510 balance due	306
Total Accounts Receivable	<u>\$ 4,286</u>

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	<u>2</u>	<u>\$ 870</u>

Note: Occupancy Report FY 24-25 shows YTD Accounts Receivable as \$5,758. This does not include the deduction of the \$1,472 write-off previously approved by the Board.

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Exhibit B

Prepaid Schedule	
Category	Amounts
Lodgers, departed for at least 18 months	
Total Recommended Prepaid Write-Offs	\$ 75
Lodgers, departed less than 18 months	81
Lodgers, current tenants with prepaid balances	13,698
Total Prepaids	<u>\$ 13,854</u>

Recommended Prepaid Write-offs		
<i>(Lodgers, departed for at least 18 months)</i>		
Center	Lodger Count	Amounts
River Ranch	1	\$ 75
Mondavi	0	-
Calistoga	0	-
Total Recommended Prepaid Write-Offs	<u>1</u>	<u>\$ 75</u>

Note: Occupancy Report FY 24-25 shows YTD Prepaid Rents as \$13, 882. This does not include the deduction of the \$28 write-off previously approved by the Board.