

Napa County

Auditor-Controller

Internal Audit Report

Napa County Housing Authority
Quarterly Monitoring
Internal Controls Review

For the Quarter Ended September 30, 2024

Report Date: October 18, 2024



A Tradition of Stewardship
A Commitment to Service

Tracy A. Schulze, CPA
Auditor-Controller

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A Tradition of Stewardship
A Commitment to Service

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Tracy A. Schulze
Auditor-Controller

October 18, 2024

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 September 30, 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 September 30, 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,

A handwritten signature in blue ink that reads "Tracy A. Schulze".

Tracy A. Schulze, CPA
Auditor-Controller

**Quarterly Monitoring
Napa County Housing Authority
For the Quarter Ended September 30, 2024**

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 \$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 September 30, 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 September 30, 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

CHDC reported a total of 87 deposits for the quarter. Internal Audit used a sample size of 20% of all deposits to conduct the procedural review of *4. Collections and Deposits*. However, during the review we found a large number of receipts where rents had been collected in arrears (*for prior periods of occupancy*), Internal Audit increased the sample size to 40% of all deposits and reviewed all receipts for the date occupancy began to the date the rent was collected.

In the sampled deposits, we found 47 receipts where rents were paid in arrears, and in 29 of those receipts, occupancy had begun at least two (2) to seven (7) weeks prior to the collection of lodger rents. The largest number of exceptions occurred during the month of August.

These exceptions have been shared with CHDC.

Conclusion

While the delinquent rents were eventually collected, the increase in Receivables also increases the risk of revenue losses due to lodgers departing with rents still due. The following table provides a summary of the increase in Accounts Receivables from September 30, 2023 to September 30, 2024.

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Lodger Accounts Receivables One-Year Trend					
Quarter-End	9/30/2023	12/31/2023	3/31/2024	6/30/2024	9/30/2024
Departed at least 18 months	532	966	1472	870	2342
Departed less than 18 months	1810	1392	1590	1120	2906
Current Lodger Receivables	3840	1200	4208	240	6817
Total Receivables	\$ 6,182	\$ 3,558	\$ 7,270	\$ 2,230	\$ 12,065

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 September 30, 2024.

Recommendation

As stated in the Background and Authority, 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. Therefore, we recommend that CHDC review those policies for the collection of lodger fees and adjust their internal procedures as necessary to minimize any potential risk of revenue losses.

**Quarterly Monitoring
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Exhibit A

Accounts Receivable Schedule	
Category	Amounts
Lodgers, departed for at least 18 months	
Total Recommended A/R Write-Offs	\$ 2,342
Lodgers, departed less than 18 months	2,906
Lodgers, current delinquent tenants with at least \$510 balance due	
Lodgers, current tenants with less than \$510 balance due	6,817
Total Accounts Receivable	\$ 12,065

Recommended Accounts Receivable Write-offs		
<i>(Lodgers, departed for at least 18 months)</i>		
Center	Lodger Count	Amounts
River Ranch	4	\$ 756
Mondavi	3	1,080
Calistoga	2	506
Total Recommended A/R Write-offs	9	\$ 2,342

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Exhibit B

Prepaid Schedule	
Category	Amounts
Lodgers, departed for at least 18 months	
Total Recommended Prepaid Write-Offs	\$ 103
Lodgers, departed less than 18 months	353
Lodgers, current tenants with prepaid balances	11,777
Total Prepaids	\$ 12,233

Recommended Prepaid Write-offs		
<i>(Lodgers, departed for at least 18 months)</i>		
Center	Lodger Count	Amounts
River Ranch	2	\$ 89
Mondavi	1	14
Calistoga	0	-
Total Recommended Prepaid Write-Offs	3	\$ 103