

Napa County

Auditor-Controller

Internal Audit Report

Quarterly Monitoring Napa County Housing Authority

For the Quarter Ended December 31, 2022

Report Date: April 4, 2023



A Tradition of Stewardship
A Commitment to Service

Tracy A. Schulze, CPA
Auditor-Controller

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Engagement Team

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A Tradition of Stewardship
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Tracy A. Schulze
Auditor-Controller

April 4, 2023

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, 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 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, 2022.

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, appearing to read "Tracy A. Schulze".

Tracy A. Schulze, CPA
Auditor-Controller

**Quarterly Monitoring
Napa County Housing Authority
For the Quarter Ended December 31, 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 \$15 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 2022-2023.

**Quarterly Monitoring
Napa County Housing Authority
For the Quarter Ended December 31, 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 December 31, 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 (\$15 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 Verified donation letter or receipts for all donations receive

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Conclusion

Based on our review, we believe 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, 2022. This report contains one observation, recommendation, and includes a response from the Authority's management to improve CHDC's compliance with the policies and procedures established by the Authority's Board of Directors.

1. Deposit Receipt Recording 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. While River Ranch and Calistoga had no deposit recording errors, we did note two errors for Mondavi Center.

We tested 4 out of 10 deposits and noted the following errors on 1 deposit:

- Deposit (11/14/2022) - Mondavi Center
 - Receipt (#164798):
 1. Refunded; however, there was no reference to the original receipt number.
 2. The nights refunded were for dates 10/27/22 – 10/31/22 (5 days x \$15 per night = \$75). Actual refund given was \$60. The refund was underpaid by \$15.

Recommendation

The Authority should review with CHDC's staff the "Lodging Revenue and Deposit" policy and procedures approved by the Authority's Board of Directors on March 17, 2009 as well as provide additional training to staff on how to properly record lodger transactions including verifying the number of room nights.

Authority's Response

A management staff-level departure at CHDC resulted in reduced training and oversight with Center Managers during the quarter ending December 31, 2022. The Authority agrees with the recommendation and will work with senior CHDC staff to implement additional training and oversight protocols to address the recommendation as soon as possible.

**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	\$ 3,290
Lodgers, departed less than 18 months	3,000
Lodgers, current delinquent tenants with at least \$420 balance due	-
Lodgers, current tenants with less than \$420 balance due	-
Total Accounts Receivable	<u><u>\$ 6,290</u></u>

Recommended Accounts Receivable Write-offs

(Lodgers, departed for at least 18 months)

Center	Lodger Count	Amounts
River Ranch	5	\$ 1,092
Mondavi	18	2,198
Calistoga	-	-
Total Recommended A/R Write-offs	<u><u>23</u></u>	<u><u>\$ 3,290</u></u>

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Exhibit B

Prepaid Schedule

<u>Category</u>	<u>Amounts</u>
Lodgers, departed for at least 18 months	
Total Recommended Prepaid Write-Offs	\$ 698
Lodgers, departed less than 18 months	89
Lodgers, current tenants with prepaid balances	192
Total Prepays	\$ 979

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

<u>Center</u>	<u>Lodger Count</u>	<u>Amounts</u>
River Ranch	10	\$ 350
Mondavi	4	336
Calistoga	1	12
Total Recommended Prepaid Write-Offs	15	\$ 698