

FINAL REPORT



Evaluation of Gainesville Housing Authority

A Risk Assessment

A Report to the City Commission

Mayor

Lauren Poe

Mayor-Commissioner Pro Tem

Adrian Hayes-Santos

Commission Members

David Arreola

Gail Johnson

Gigi Simmons

Harvey Ward

Helen K. Warren

City of
Gainesville Office
of the City
Auditor

Carlos L. Holt – City Auditor

April 10, 2019

FINAL REPORT

EXECUTIVE SUMMARY

April 10, 2019



Why We Did This Engagement

The City of Gainesville City Commission held a joint meeting with the Gainesville Housing Authority Board of Commissioners on September 18, 2019. The purpose of the meeting was to share knowledge and information about affordable housing in Gainesville, and to explore opportunities for possible joint ventures as GHA was requesting to create a strategic partnership with the City. At the conclusion of the meeting, there was general agreement that both organizations would like to work together in some capacity in the near future. This engagement by the City Auditor represents the City's performance of due diligence prior to entering into such an agreement.

Primary Results

The City Auditor's review of the consultant's test work and report provide no cause to avoid any form or partnership agreement with the Gainesville Housing Authority.

For more information on this or any of our reports, please visit:
www.cityofgainesville.org/cityauditor.aspx

BACKGROUND

Gainesville Housing Authority was created by state statute on August 1, 1966 to deal with unsafe and uninhabitable dwellings along with a shortage of affordable dwellings. Their budget for 2017 was \$14.5 million and \$15.7 million for 2018. Forty three percent of families participating in public housing are elderly, disabled, or handicapped. Gainesville Housing Authority houses almost 2,000 families annually, with almost 600 families in public housing units over 1,300 in various voucher programs. The current wait list for public housing or vouchers is over 4,000 families with an average of only 58 openings per year.

DESCRIPTION AND SCOPE

The City of Gainesville desires to obtain a third party risk assessment of the Gainesville Housing Authority to ascertain whether the state of their controls and documentation pose an unacceptable risk to the City of Gainesville. As part of this third party risk assessment, the City Auditor has engaged *Experis* (formerly *Manpower* and *Jefferson Wells*) to perform sampling and testing to obtain a better understanding of the operating effectiveness of controls that help mitigate the risks. The scope of this engagement included the calendar year 2018 through January 31, 2019 and policy/procedure documents going back to date of last update.

OBJECTIVES

The objectives of the agreed upon procedures engagement were to obtain the following:

- A risk assessment focusing on potential risk red flags in areas such as revenue collection, spending, procurement, and regulatory requirements.
- Supporting work papers detailing the test procedures performed, personnel interviewed, findings, and recommendations, etc.
- An executive summary report that includes scope, observations, findings, and control strengthening suggestions.

Note: Agreed Upon Procedures engagements are not an audit and are less in scope than a financial audit.

WHAT WAS FOUND

- No exceptions were noted in 22 of 29 areas.
- All exceptions noted could be classified as non-major or minor
- Possible control change strengthening suggestions have been administratively and separately provided

This engagement was performed in accordance with the institute for Internal Auditors International Professional Practices Framework (IPFF).

WAITING RESPONSE LETTER

APPENDIX B – CONSULTANT’S REPORT

Gainesville Housing Authority
Risk Assessment Report
April 5, 2019



Experis™
Finance

REPORT INDEX

<u>Section</u>	<u>Title</u>	<u>Page</u>
I.	Independent Consultant's Report On Applying Agreed Upon Procedures	5



I. INDEPENDENT CONSULTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Carlos Holt
Office of the City Auditor
Gainesville, Florida

We have performed the procedures enumerated in the Financial Accounts and General Computer Controls section below, which were agreed to and specified by the Office of the City Auditor and were also agreed to by the Gainesville Housing Authority., These were performed solely to assist you with respect to a Risk Assessment of the Gainesville Housing Authority as of January 31, 2019. The Gainesville Housing Authority is responsible for the Financial Accounts and General Computer Controls of the Gainesville Housing Authority. We have also performed the procedures enumerated in the Organization and Compliance section below, which were agreed to and specified by the Office of the City Auditor and were agreed to by the Gainesville Housing Authority. These were performed solely to assist the specified parties in evaluating the Gainesville Housing Authority's operations and processes to ascertain the level or residual risk that exist for fraud, non-compliance, missing assets, improper practices, public embarrassment, unethical business practices (to include contracting), corruption, etc. Management is responsible for the Gainesville Housing Authority's compliance with those requirements. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Financial Accounts and General Computer Controls

Our procedures and findings regarding financial and general computer control matters are as follows:

1. **Rent Revenue Completeness-** We obtained the November 2018 Income statement and agreed the Tenant Rental Revenue, U.S. Department of Housing and Urban Development - Public Housing Assistance (HUD PHA) Operating Subsidiary, Section 8 HAP Income and Administrative fees earned to supporting documentation. For U.S. Department of Housing and Urban Development - Public Housing Assistance (HUD PHA) Operating Subsidiary, Section 8 HAP Income and Administrative fees we vouched the revenue to the appropriate bank statement evidencing the revenue recorded was accurate and collected. For Tenant Rental Revenue we agreed the revenue to the auto rent billing file. In addition, based on sampling guidelines, we selected 25 tenant rent payments for the period of November 2018 and verified the rent payment was recorded on the



tenants account, and agreed the rent receipt from the tenant to the daily receipt log and the bank deposit transmittal statement representing the bank deposit.

No exceptions were found as a result of applying the procedure.

2. **Rent Credits, Voids, Discounts and Adjustments-** We obtained a detailed listing of rent credit memos and adjustments for the period 4/1/2018-1/31/2019 and verified the listing was complete. We selected a sample of 25 rent credit memo adjustments in accordance with sampling guidelines. For each selection, we agreed the rent adjustment request form from the property manager to the recorded credit as well as verified the request documentation contained the correct amount, property listing, tenant name and number, the reason for the credit, property manager signature and management approval.

No exceptions were found as a result of applying the procedure.

3. **Asset Sales-** We obtained and reviewed the fixed asset roll forward for the period 4/1/2018-1/31/2019. Asset sales in excess of \$500 require Board of Commissioners approval. There were no asset sales during the review period and therefore asset sale testing was not performed.
4. **Other Revenue-** We obtained the November 2018 income statement year to date and reviewed the general ledger account (3480) other revenue transaction activity for any large and unusual activity and verified the revenue recorded is valid, properly classified and collectable. As of November 2018, other revenue approximated \$231k primarily relating to intercompany income and expenses which offset each other.

We noted journal entry 7453 was a material inventory adjustment posted in August 2018. The journal entry was prepared by the outside accountant in October 2018. The material inventory adjustment increased material inventory by approximately \$35k additionally recording other revenue of approximately \$32k in order to true up the material inventory on the balance sheet to the GHA inventory report. Note: We consider this adjustment to other revenue uncharacteristic of a book to physical inventory adjustment.

5. **Expense Reports-** We obtained a detailed listing of expense reports for the period 4/1/2018-1/31/2019 and verified the listing was complete. We randomly sampled seven expense reports and verified the expense reports were signed by the preparer and approved in a timely manner by the Executive Director. In addition, we verified the expenses were for business related purposes, supporting documentation was attached, the amounts reimbursed were correctly



calculated, and the expense amount was in compliance with the travel and expense policy, specifically for mileage rates, per diem rates and other travel expenses.

No exceptions were found as a result of applying the procedure.

6. **Accounts Payable-** We obtained a detailed listing of disbursements for the period 4/1/2018-1/31/2019 and verified the listing was complete. We randomly sampled 25 disbursements and agreed the supporting documentation to the disbursement; including the purchase order, invoice, and receiving documents, as applicable. In addition, we verified the purchase orders or vendor invoice was appropriately approved evidenced by a signature from management.

We found two invoices did not have an approval signature.

7. **Dual Check Signature-** We obtained a detailed listing of disbursements for the period 4/1/2018-1/31/2019 and verified the listing was complete. We randomly sampled 25 disbursements greater than \$3000 and verified each check contained two signatures authorizing the check disbursement.

We found one check did not contain two approval signatures.

8. **Payroll Existence-** We obtained a detailed listing of active employees processed during the January 2019 period and verified the listing was complete. For all 35 active employees, we verified the employee's existence while they performed their job function. In addition, we reviewed HR related documentation that supports the individual is properly classified as an employee and not as an independent contractor. Moreover, we selected a sample of five employees in accordance with sampling guidelines. For each employee selected, we verified the employee Name, Address and SSN agree to the HR onboarding records and verified a signed copy of the Code of Ethics, Policy and Procedures and Technology Use Policy was maintained in the employee HR file.

We found one employee's HR file did not contain both the job application and a signed copy of the Policies and Procedures Manual.

9. **Payroll Accuracy-** We obtained a detailed listing of payrolls processed for the period 4/1/2018-1/31/2019 and verified the listing was complete. Using the employees selected for the payroll existence control, we selected the 1/12/2019 biweekly payroll and recalculated the employee compensation and agree it to the employee's payroll file for salary employees; for hourly employees we agreed the hourly rate to the employee's payroll file and the hours paid agreed



with the approved time sheet. In addition, we verified the payroll entries agree to the general ledger and were posted in a timely manner.

No exceptions were found as a result of applying the procedure.

10. **Payroll Taxes-** We obtained a detailed listing of payrolls processed for the period 4/1/2018-1/31/2019 and verified the listing was complete. We selected the 1/12/2019 biweekly payroll period to test for proper support, review, approval and timeliness for remitting the payroll taxes. We obtained the payroll register and agreed the federal withholding and employer/employee social security and Medicare withholding taxes to Form 941 Employer Taxes for the 1/22/2019 filing date. We noted the required payment was made in accordance with payroll tax guidance.

No exceptions were found as a result of applying the procedure.

11. **Payroll Vacation-** We obtained a detailed listing of payrolls processed during for the period 4/1/2018-1/31/2019 and verified the listing was complete. We selected the 1/12/2019 payroll period and randomly selected seven employees to verify their vacation accrual is accurate; employees are taking vacation as appropriate and identify any employee who has not taken vacation in the testing period. We noted the policy states employees with less than 10 years accrue vacation at a rate of 8 hours/month with a maximum of 192 hours and sick time at a rate of one day per month with a maximum of 720 hours.

We found two employees did not have the correct vacation accrual entered into the accounting system.

12. **Capital Purchases-** We obtained a listing of all capital projects awarded under a RFP during the last two years as there were no new contracts awarded in fiscal year March 31, 2018. We judgmentally selected the last two projects that were in excess of \$75,000 thus requiring a Request for Qualifications (RFQ) for the Architect and a seal bid Request for Proposal (RFP) process for the General Contractors. The two projects were the Oak Park project, which included three phases: Roof, Generator, Security upgrades, and the Sunshine Park Exterior upgrade. For each of the two projects selected we selected one invoice for the architect fee; and one invoice for the contractor fee for the Sunshine Park project and each phase (3 invoices) for the Oak Park project. The invoices were reviewed for amount, date, approval, accuracy and to verify the invoice was projected.

No exceptions were found as a result of applying the procedure.



- 13. General Purchase Orders-** We obtained a detailed listing of general operating purchase orders processed during for the period 4/1/2018-1/31/2019 and verified the listing was complete. We randomly sampled 25 purchase orders obtained a copy of the requisition, PO, invoice and receiving documents. We reviewed the quantity and price per each document. Additionally, we reviewed that proper approval occurred for the requisition and/or PO or invoice for each sample. For invoice submitted by the vendor in excess of the purchase order amount, we agreed the excess variance to management approval. In addition, we agreed the purchase orders conformed to the purchase order type: Micro, Small and Large Bid and related approvals.

No exceptions were found as a result of applying the procedure.

- 14. RFP Capital Projects-** We obtained a listing of all capital projects awarded under a RFP during the last two years. There were no new contracts awarded in fiscal year March 31, 2018. We judgmentally selected the last two projects in excess of \$75,000, thus requiring a RFQ for the architect and sealed bids RFP process for the General Contractors. Project #1 was related to the Oak Park Property and was for a reroof, generator replacement and a Security Camera upgrade. Project #2 was related to the Sunshine Project and was for an exterior facelift. For Project #1 and Project #2, we reviewed the RFQ for the Architect and noted bids were obtained from six architects. For each bid, Architect qualifications were reviewed, independent score cards were completed, RFQ completeness was verified and the BOC voted on the design contract. For Projects #1 and #2, we verified bids notifications were published with a bid closing date, submitted bids had a check sheet, GHA/BOC completed scorecard along with the requested proof of license, insurance, qualifications, references, etc. We also verified the Sunshine Park bid was sealed and opened with a witness. We then verified each bid for both projects were ranked and the Board of Commissioners approved the award of the contracts.

We were unable to verify that the three Oak Park bids were received sealed and opened with a witness. Supporting documentation was not provided.

- 15. Financial Close Process-** We inquired as to the monthly financial closing procedures GHA uses to ensure the financial books and records of the company are complete and accurate and the monthly transactions are properly reflected in the monthly financial statements. We were able to obtain a standard month-end closing checklist from outside accountant, which documents a listing of standard closing tasks and processes.

No exceptions were found as a result of applying the procedure.



16. **Manual journal entries-** We obtained a detailed listing of manual journal entries for the period 4/1/2018-1/31/2019 and verified the listing was complete. We randomly sampled five manual journal entries to verify proper journal support, journal review, and timeliness of recording the entry in the general ledger.

No exceptions were found as a result of applying the procedure.

17. **Balance Sheet Account reconciliations-** We inquired as to the monthly balance sheet reconciliation GHA performs as part of the month end close to ensure GHA account balances are properly valued and reported in the monthly financial statements. Upon closing each accounting period, each account on the balance sheet is reconciled to the supporting documentation. Reconciliations are in two groups: formal and informal. Formal reconciliations are prepared monthly for the cash and investing accounts using a typical general ledger account to supporting documentation format. See #20 below and related testing. Informal reconciliations are performed for the remaining asset and liability accounts by agreeing the general ledger account to its respective supporting schedule without using a reconciliation coversheet or similar format. We judgmentally selected the prepaid insurance account 1211.00 for each line of business, "PHA", for the month of December to re-perform an informal reconciliation. We verified the mathematical accuracy of the prepaid insurance schedule, reviewed the types of insurance listed noting policy number and coverage period. The prepaid insurance schedule agrees to the respective general ledger accounts and the balance sheet accounts are considered proper.

No exceptions were found as a result of applying the procedure.

18. **Monthly Income statement and balance sheet analytic review-** We obtained the November 2018 Board of Commissioners financial reporting presentation. The financial results for the month are prepared by the first Tuesday in the following month. The financial statements are reviewed by the Executive Director, the outside accountant, the Audit Chair Board of Commissioners, and the Deputy Director. We reviewed the financial reporting presentation noting it contained a Schedule of Cash/Investment Position, Consolidated and Program Level Income Statements as well as Consolidated and Program Level Statement of Net Position. The income statements were on a Month-to-Date (MTD) and Year-to-Date (YTD) actual basis and were compared to budget. The reports are sent to the Board of Commissioners by the 3rd Tuesday of the month in preparation for the Board meeting on the 4th Tuesday of the month. The financial reports were reviewed by senior management and the Commission evidenced by Board Meeting Minutes. The monthly results of operations and are considered timely, accurate, and relevant. In addition, we obtained the consolidated Financial Statements for the years ended March 31, 2016, 2017 and 2018.



Balance sheet and income statement accounts have a consistent trend and no unusual activity at the consolidated level was identified.

No exceptions were found as a result of applying the procedure. By the time we were substantially completed with our fieldwork on or around March 5, 2019, GHA was two months behind on the financial close. The financial close for the periods of December and January were not completed.

- 19. Monthly actual to budget results review-** We obtained the November 2018 Board of Commissioners financial reporting presentation. The financial results for each month are prepared by the first Tuesday in the following month. The financial statements are normally reviewed by the Executive Director, the outside accountant, the Audit Chair BOC, and the Deputy Director. We reviewed the financial reporting presentation noting it contained a Schedule of Cash/Investment Position, Consolidated and Program Level Income Statements as well as Consolidated and Program Level Statement of Net Position. The income statements were on a MTD and YTD actual basis and were compared to budget. In addition, the income statement showed annual budget and remaining budget amount. The reports are sent to the Board of Commissioners by the 3rd Tuesday of the month in preparation for the Board meeting on the 4th Tuesday of the month. The actual financial results as compared to budgets were reviewed monthly by senior management and the Commission and are considered timely, accurate, and relevant.

No exceptions were found as a result of applying the procedure.

- 20. Cash Controls-** We obtained the bank and investment account reconciliations for the month of December 2018. There were 28 general ledger accounts in total representing 23 bank and investment accounts. Several general ledger accounts represented a single bank statement for the investment account CDs. For each bank statement, we agreed the balance per general ledger to the trial balance and agreed the balance per bank to the bank statement. For accounts with reconciling items, we noted these items primarily related to outstanding checks. The cash reconciliations were prepared and reviewed in a timely manner.

No exceptions were found as a result of applying the procedure.

- 21. User access roles properly assigned-** We obtained the list of Lindsey Financial system users and verified the user list was complete. We randomly selected four employees from the Lindsey Financial system users to see if they were assigned access to the proper Lindsey financial system role. We also selected one non-employee, the outside accountant, for proper role testing. The



role determines what the access is for each function; such as payables, payroll, POS, tenant accounts etc. For the four employees selected, we noted employee name, job positions, and what PHA group (Public Housing or Section 8) access they should have. Conversely, we selected four Lindsey access roles and review the employees listed in each role to test for proper access. For the employees listed in a user access role, we selected one user and reviewed the user's name, job position, and PHA group for proper system access.

No exceptions were found as a result of applying the procedure. We want to point out that the Executive Director and the Deputy Director are the system administrators for the Lindsey financial system as well operational approvers for nearly all transactions that may allow for a segregation of duties risk. We have not performed a segregation of duties assessment outside of the controls tested within.

22. **Network and system access added & removed when appropriate** - There are four primary systems used at GHA. They are the network domain; Outlook email, Lindsey Financial System and HRWeb time keeping system. We obtain a list of employees that have been hired and terminated for the period 4/1/2018-1/31/2019: 37 employees were listed, 35 employees are active, and two employees were terminated on 1/29/2019. We randomly selected two new hires and judgmentally selected the last two terminations to validate the user's access was granted and/or removed in a timely manner by someone authorized as a system administrator. For new system users the domain and email system access was verified; however, system access to HRWeb and Lindsey was unverifiable. For terminated users, we verified employees were removed from HRWeb and Lindsey in a timely manner; however, we were unable to verify the timeliness of the terminated users' access to the Domain and email. Termination requests were delivered to North Florida Technology (NFT), third party system administrator verbally right after employee termination and confirmed by NFT.

No exceptions were found as a result of applying the procedure.

Organization and Compliance

Our procedures and findings regarding organization and compliance matters are as follows:

23. **Regulatory Filings**- We inquired and prepared a checklist of the regulatory HUD and City of Gainesville filing requirements for Federal, State and Local agencies and verified with senior



management that the listing was complete. For each filing requirement, we verified the appropriate documents were reviewed and submitted by the appropriate deadline via inspection of system submission documents. The regulatory filing and tax payments were made and are considered timely.

No exceptions were found as a result of applying the procedure.

24. **Fraud Tip Follow up-** GHA publishes a single fraud hotline number with two extensions. We obtained a detailed listing of the fraud hotline submissions during the period 4/1/2018-1/31/2019 and verified the listing was complete. The extensions direct the caller to leave a confidential message. The voicemail system transcribes the message and sends an email to the Executive Director and the Deputy Director depending on the extension selected. The email contains an audio file as an attachment. We judgmentally selected the last two fraud hotline submissions and verified the submissions were logged as an issue into the tenant's record along with the attachment and an email was sent to the property manager for follow up and resolution.

No exceptions were found as a result of applying the procedure.

25. **Legal Risk Review-** We inquired with the Executive Director and the Deputy Director, as to any pending legal matter regardless of materiality. There is only one legal matter pending at the time of this review. The matter relates to a workers compensation claim for an employee. The employee is claiming damages for a work related injury. We obtained a copy of the GHA workers compensation insurance policy noting Insurer, coverage type and dates of coverage; insurance coverage is in effect. At the time of this review, GHA has not referred this matter to outside counsel. GHA was notified of this matter on 2/5/2019 and the date of this inquiry was 1/31/2019. This matter is in the ordinary course of business and will be resolved in a timely manner.

We determined this matter is not material and does not pose a significant risk to GHA.

26. **Related Party Transactions-** We inquired of management of any related party transactions to vendors, City Council Members, BOC Members, Family members, tenants, accounting/audit firms or any other related parties. In addition, GHA has one instrumentality, which is GHDMC (Gainesville Housing Development and Management Corp and one Affiliate organization Gainesville Florida Housing Corporation). Policy dictates if GHA discovers that there is a family relationship between employees and/or tenant, the policy is to reassign the tenant and have another PHA administer the housing voucher.



We did not identify any related party transactions in payroll, expense or any other risk assessed areas.

27. **Policy and Procedure Review-** We obtained the primary operating policies of the GHA. The policies are HR, Procurement, Financial Controls, Occupancy, and Administrative Plan. The policies were reviewed noting the last time the policies were revised was over two years ago. The last revision dates were as follows:
- a. HR Policy dated 1/4/2016;
 - b. Procurement Policy dated 10/27/2010;
 - c. Financial Control Policy dated 2/26/2013;
 - d. Occupancy Policy and Administrative Plan dated 3/5/2013.

We determined the policies should be reviewed and updated in order to keep them current and relevant.

28. **Board of Commissioners Meeting Minutes-** We obtained and read minutes of the Board of Commissioners Meeting Minutes for the period 4/1/2018-1/31/2019 and through the date of this report to determine if the minutes are adequately prepared and signed by the preparer and approved and signed by GHA Board by the subsequent monthly meeting. We noted GHA publicizes the monthly Board of Commissioners meeting dates and times on their website: (<http://gainesvillehousingauthority.org/public-notice/>). We observed the meeting announcement on the website and observed the Board meeting held on Monday, February 11, 2019 held at the GHA office. We also identified any board actions that could affect the other procedures.

We determined the minutes were adequately prepared, reviewed, and approved.

29. **Risk Assessment Interviews with Senior Management-** We inquired of GHA of any instances (regardless of materiality) indicating any fraud, illegal acts, or noncompliance. In addition, we asked management if they are aware of:
- a. Any transactions not recorded in the books and records of the GHA that should be, or
 - b. Any gifts or like kind exchanges between GHA and any vendor or employee, or
 - c. Any disputes with external auditors, or
 - d. Any related party transactions, or
 - e. Any financing arrangements between GHA and any employee or vendor, or providing assistance to vendors obtaining financing, or



- f. Any instances of management overriding controls, or
- g. Any areas we have not reviewed that we should review as part of this risk assessment.

GHA informed us that there are no events or transactions described above that would indicate any fraud, illegal acts, or noncompliance and their internal controls are adequate to detect errors or fraud.

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GAINESVILLE HOUSING AUTHORITY
Where Housing Matters

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EXECUTIVE DIRECTOR
 PAMELA E. DAVIS

April 16, 2019

Carlos L. Holt, CPA
 City Auditor, City of Gainesville Florida
 200 East University Ave
 Gainesville, Florida 32601

RE: RESPONSE TO AUDIT

Dear Mr. Holt,

Below are the Gainesville Housing Authority's responses to the City of Gainesville's evaluation risk assessment and we are very pleased that the primary results provide no cause to avoid any form or partnership agreement with the Gainesville Housing Authority.

As stated in the report there were no exceptions noted in 22 of the 29 areas and the exceptions noted could be classified as non-major or minor. We would like to also respond to the possible change strengthening suggestions that were separately provided.

Exceptions:

4. Other Revenue – We obtained the November 2018 income statement year to date and reviewed the general ledger account (3480) other revenue transaction activity for any other large and unusual activity and verified the revenue recorded is valid, properly classified, and collectable. As of November 2018, other revenue approximated \$231k primarily relating to intercompany income and expenses which offset each other.

We noted journal entry 7453 was a material inventory adjustment posted in August 2018. The journal entry was prepared by the outside accountant in October 2018. The material inventory adjustment increased material inventory approximately \$35k additionally recording other revenue of approximately \$32k in order to true up the material inventory on the balance sheet to the GHA inventory report. Note: We consider this adjustment to other revenue uncharacteristic of a book to physical inventory adjustment.

*Commissioner Angela Tharpe, Chairperson ~ Commissioner Craig Carter, Vice Chairperson
 Commissioner Arthur Stockwell ~ Commissioner Cynthia Chestnut ~ Commissioner LaTonya Porter*



Response:

We are in agreement that the inventory adjustments are uncharacteristic; it is however proper under generally accepted accounting principles. The inventory was in the process of being split between the three Public Housing Asset Management Properties (AMPs) as of the prior fiscal year end in order to carry the material inventory balances in each property, rather than just AMP 1. Due to the massive undertaking of this process, it was not completed by March 31, 2018. Moving the balances from AMP 1 to AMPs 2 and 3 had the effect of increasing the equity for AMP 1. Since the amounts are not material for a prior year adjustment, and current year ending March 31, 2019 material costs could not be reduced (it would have left the materials expense account in a credit balance), the other income account was the proper account to use for the split of the materials inventory balance sheet accounts. We will give consideration to an approval process in the future for such one-time ever entries.

6. Accounts Payable – We obtained a detailed listing of disbursements for the period 4/1/2018 – 1/31/2019 and verified the listing was complete. We randomly sampled 25 disbursements and agreed the supporting documentation to the disbursement; including purchase order, invoice, and receiving documents, as applicable. In addition, we verified the purchase orders or vendor invoice was appropriately approved evidenced by a signature from management.

We found two invoices did not have an approval signature.

Response:

The accounts payable personnel will review all invoices to ensure proper approval has been provided prior to processing.

7. Dual Check Signature – We obtained a detailed listing of disbursements of the period 4/1/2018 – 1/31/2019 and verified the listing was complete. We randomly sampled 25 disbursements greater than \$3000 and verified each check contained two signatures authorizing the check disbursement.

We found one check did not contain two approval signatures.

Response:

The accounts payable staff will review each check executed to ensure that either a single signature, Executive Director; or, both the Executive Director and Commissioner for amounts over \$3,000, are obtained.



8. Payroll Existence – We obtained a detailed listing of active employees processed during the January 2019 period and verified the listing was complete. For all 35 active employees, we verified the employee's existence while they performed their job function. In addition, we reviewed HR related documentation that supports the individual is properly classified as an employee and not as an independent contractor. Moreover, we selected a sample of five employees in accordance with sampling guidelines. For each employee selected, we verified the employee Name, Address and SSN agree to the HR onboarding records and verified a signed copy of the Code of Ethics, Policy and Procedures and Technology Use Policy was maintained in the employee HR file.

We found one employee's HR file did not contain both the job application and a signed copy of the Policies and Procedures Manual.

Response:

We will review all files for completeness and correct any deficiencies. Going forward, the onboarding process will be completed via a check list and reviewed by another HR responsible party.

11. Payroll Verification – We obtained a detailed listing of payrolls processed for the period 4/1/2018 – 1/31/2019 and verified the listing was complete. We selected the 1/12/2019 payroll period and randomly selected seven employees to verify their vacation accrual is accurate; employees are taking vacation as appropriate and identify any employee who has not taken vacation in the testing period. We noted the policy states employees with less than 10 years accrue vacation at a rate of 8 hours/month with a maximum of 192 hours and sick rate at a rate of one day per month with a maximum of 720 hours.

We found two employees did not have the correct vacation accrual entered into the accounting system.

Response:

GHA will institute a review process on at least a semi-annual basis of all employees to ensure that vacation and sick hours are accruing at the correct rate. The review will be conducted by the Deputy Director with reporting to the Executive Director of any deficiencies found.

14. RFP Capital Projects – We obtained a listing of all capital projects awarded under a RFP during the last two years. There were no new contracts awarded in fiscal year March 31, 2018. We judgmentally selected the last two projects in excess of \$750,000 thus requiring a RFQ for the architect and sealed bids for a reroof, generator replacement and a Security Camera upgrade. Project #2 was related to the Sunshine Project and was for an exterior facelift. For Project #1 and Project #2, we reviewed the RFQ for Architect and noted bids were obtained from six architects. For each bid, architect qualifications were reviewed, independent score cards were completed, RFQ completeness was verified and the BOC voted on the design contract. For Projects #1 and #2, we verified bids notifications were published with a bid closing date, submitted bids had a check sheet, GHA/BOC completed scorecard along with the requested proof of license, insurance, qualifications, references, etc. We also verified the Sunshine Park bid was sealed and

*Commissioner Angela Tharpe, Chairperson ~ Commissioner Craig Carter, Vice Chairperson
Commissioner Arthur Stockwell ~ Commissioner Cynthia Chestnut ~ Commissioner LaTonya Porter*



opened with a witness. We then verified each bid for both projects were ranked and the Board of Commissioners approved the award of contracts.

We were unable to verify that the three Oak Park bids were received sealed and opened with a witness. Supporting documentation was not provided.

Response:

All sealed bid projects will have an independent third party (an employee outside of the entire procurement process) on hand to certify in writing that all bids were sealed completely and opened at the same time for review. That documentation will be kept as a permanent record to the file.

18. Monthly Income statement and balance sheet analytic review- We obtained the November 2018 Board of Commissioners financial reporting presentation. The financial results for the month are prepared by the first Tuesday in the following month. The financial statements are reviewed by the Executive Director, the outside accountant, the Audit Chair Board of Commissioners, and the Deputy Director. We reviewed the financial reporting presentation noting it contained a Schedule of Cash/Investment Position, Consolidated and Program Level Income Statements as well as Consolidated and Program Level Statement of Net Position. The income statements were on a Month-to-Date (MTD) and Year-to-Date (YTD) actual basis and were compared to budget. The reports are sent to the Board of Commissioners by the 3rd Tuesday of the month in preparation for the Board meeting on the 4th Tuesday of the month. The financial reports were reviewed by senior management and the Commission evidenced by Board Meeting Minutes. The monthly results of operations and are considered timely, accurate, and relevant. In addition, we obtained the consolidated Financial Statements for the years ended March 31, 2016, 2017 and 2018. Balance sheet and income statement accounts have a consistent trend and no unusual activity at the consolidated level was identified.

No exceptions were found as a result of applying the procedure. By the time we were substantially completed with our fieldwork on or around March 5, 2019, GHA was two months behind on the financial close. The financial close for the periods of December and January were not completed.

Response:

There are two month-end periods during the Gainesville Housing Authority's fiscal year that cause delay in the normal month-end closing process, December 31 and March 31. The December month-end is for the blended component unit (Gainesville Housing Development & Management Corporation a 501(c)3 entity, and the normal March fiscal year end. In the case of this year, the internal control audit also took considerable staff time to provide extensive documentation.



Control Strengthening Measures:

Control Activity	Possible Improvements	GHA Response
Asset sales	<p>The Financial Controls Policy is dated 2/26/2013.</p> <p>Reviewing and updating the policy and increasing the fixed asset capitalization policy from \$1000 to a larger amount is reasonable; perhaps \$5,000.</p>	<p>We are in agreement. We will review the applicable regulations from HUD and discuss the capitalization amount with our HUD Jacksonville financial representative. If we find the increase to be allowable, we will present the policy changes to the Gainesville Housing Authority Board of Commissioners for discussion and approval at the allowable rate.</p>
Expense Reports	<p>We noted a travel advance was prepared by the Executive Assistant and approved by the Executive Director. Executive Director travel requests could be approved by the Deputy Director or a Commissioner.</p>	<p>We are in agreement. We will prepare the necessary changes to our policy and have any Board of Commissioner with check signing power sign off on the Executive Director travel.</p>
Accounts Payable	<p>All non-PO invoices should have an approval signature. Also, update the policy to specify insurance, legal, utility, etc. do not require a PO.</p> <p>Create a formal approval matrix by amount and invoice type (legal invoices > 5K signed by Executive Director) (i.e. AC repair > 5 K signed by maintenance and Executive Director)</p> <p>Best practice is to have approvals contain signature and date.</p>	<p>We will establish a formal approval matrix for our non-PO invoices and recommend for approval by our Board of Commissioners that the policy also contain under what circumstances a PO is not required.</p>

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Dual Check Signature	Adding the \$3,000 threshold limit dual signature requirement on checks into the Financial AP policy.	We will update our Financial AP policy to reflect the \$3,000 threshold established for a second signature.
Payroll Existence	We noted employee #142 employee's file had a different name than the payroll records due to recently being married. Obtaining a legal name change form and an Onboarding Checklist to ensure all required documents are accounted for. This checklist should be maintained in each employee file.	We will obtain a legal name change form and an onboarding checklist to ensure all required documents are accounted for.
Payroll Accuracy	We noted the person entering a new hire into the payroll records is the same person who processes payroll. New hires should be entered by someone other than the payroll processor (lack of segregation).	We are in agreement. New hire entries will be completed by the Deputy Director or Executive Assistant.
Payroll Vacation	Update the vacation policy so that employees are required to take accrued vacation time. Review of the vacation and sick accruals at a minimum annually perhaps when the COLA adjustments are entered.	We will take adjustments to the GHA vacation policy under consideration and discuss with our Board of Commissioners.
General Purchase Orders	Create a formal purchasing matrix by purchasing type and dollar amount. Perhaps a single approval is needed up to a certain dollar amount then dual approvers are required.	We will establish a formal approval matrix for our purchase orders and recommend for approval by our Board of Commissioners that the policy also contain under what circumstances a PO is not required.
RFP Capital Projects	Utilize a document checklist within the project binder to ensure all documents are accounted for such as notice to bid advertisements, open bid witness signature sheet and bid review checklists.	All sealed bid projects will have an independent third party (an employee outside of the entire procurement process) on hand to certify in writing that all bids were sealed completely and opened

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		at the same time for review. That documentation will be kept as a permanent record to the file.
Policy and Procedure	Review policies at least annually for relevancy and propose changes if necessary.	GHA will establish a formal matrix to review policies at least annually for relevancy and propose changes when necessary.
Financial Close Process	The month end closing completed checklist is maintained in the accounting work papers and should contain a prepared by name and completion date.	We are in agreement. We will formalize the month end process to include a formal checklist that includes name, date, and signature.
Journal Entries	The Director or Deputy Director should approve any non-recurring, adjusting, book to physical or correcting journal entries. The journal entries for senior management approval could be reviewed based on materiality and/or journal entry type.	We agree and moving forward we will approve any non-recurring journal entries at our monthly meeting.
Account Reconciliations	Formal balance sheet account reconciliations for non-cash assets and liability accounts would add significant value. The accounts for reconciliation can be based on materiality and/or risk. Accounts can be reconciled monthly, quarterly, or annually. Completed reconciliations could then be approved by the Executive Director or Deputy Director.	The Gainesville Housing Authority currently provides reconciliations on all accounts that have a balance sheet difference from the supporting schedule or original documentation; such as bank accounts. This is done each and every month without exception. All accounts that are not different from the supporting schedule or original documents are not "reconciled" since there is no difference. Consideration will be given to "reconciling" accounts that may have risk on an annual basis along with a material balance.
Monthly Actual to budget results review	The FCP&P policy calls for budget overruns of >10% require analysis and	We are in agreement. We will modify our policy to include a dollar amount threshold.

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	communication to senior management and the Board. Update this to include MTD and YTD budget variance requirements as well as a dollar amount in order to avoid explanation on small dollar variances.	
User Access Roles	Review Lindsey system access and related roles at least annually.	We will review the Lindsey system access and related roles at year end.
User Access Added and Removed When Appropriate	Use emails to send over termination requests to NTF as part of an off boarding checklist which should be maintained in the HR file. In addition, due to lack of HRWeb and Lindsey system access and activity audit trail reports, use a new user access form, email, or some other documentation indicating which system administrator added a new user.	We will begin to utilize emails as a part of the off boarding process and will maintain a copy as a part of the off boarding checklist in the HR file.

We look forward to working with the City of Gainesville in furthering the availability of affordable housing within the City.

Thank you,

Pamela E. Davis
Executive Director

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