



Presentation of Annual Audit Report

*Fresno Housing Authority
Boards of Commissioners Meeting
September 27, 2016*



Overview

- The Board's Role
- Audit Process
- Audit Compliance
- Parts of the Audit
- Management Responsibilities
- Auditor's Presentation
- Management's Responses to the Audit

Board's Fiduciary Responsibility

- Oversee the PHA's financial operations and fiscal health
- Review and approve annual budgets
- Ensure compliance with financial, statutory, and regulatory requirements
- Verify strong internal controls are in place to prevent fraud and abuse
- Select and hire the Independent Public Auditor
- **Review year-end statements and audits**

Audit Process

- Throughout the year, the Accounting staff records transactions and changes in balances
- At year end, final financial statements and supplementary information is prepared for the Auditor's review
- Auditor performs financial and compliance tests, as required
- Auditor issues their results and findings to the Board and Management

Audit Compliance

- The annual audit must comply with numerous requirements and standards, including:
 - Generally Accepted Accounting Principles (GAAP)
 - *Government Auditing Standards* (Yellowbook) issued by the U.S. Comptroller General
 - Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)
 - *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development

Parts of the Audit

- Independent Auditor's Reports
- Management's Discussion and Analysis
- Basic Financial Statements
- Supplementary Information
- Single Audit Reports and Related Schedules
- External Letters:
 - Management Recommendations
 - Communications with those in Charge of Governance

Management's Responsibilities

- Preparation and presentation of the financial statements and the notes to the financials
- Management's Discussion and Analysis (MD&A)
- Design, implementation and maintenance of a strong internal control system

Auditor's Presentation

- Davis Farr
 - Marc Davis, Partner
 - Dean Votava, Senior Manager



Presentation of Results of Audits



September 27, 2016

Discussion Topics

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- Audits Required
- Auditor Responsibilities
- Financial Statements

Audits Required

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- Annual financial audit required by HUD
- If spend > \$750,000 in federal funds, then a Single Audit is required

Auditor Responsibilities

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- ❑ Express opinion on financial statements
- ❑ Conduct audit in accordance with generally accepted auditing standards and *Government Auditing Standards*
 - ❑ Plan and perform audit to obtain reasonable, not absolute assurance, that financial statements are free from material misstatement
- ❑ Procedures performed based on auditor's judgment

Auditor Responsibilities

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- ❑ Assessment of risk
 - ❑ Nature of entity
 - ❑ Structure, ownership and governance
 - ❑ Industry, regulatory and other external matters
 - ❑ Financial statement reporting
 - ❑ Fraud
 - ❑ **NOT** a fraud audit
 - ❑ Evaluation of internal control, but not to express an opinion on internal control

Financial Statements

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- Auditor's Report
 - Unmodified - clean
 - Modified
 - Qualified
 - Adverse
 - Disclaimer

Financial Statements

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- ❑ Management's Discussion and Analysis
 - ❑ Condensed financial information
 - ❑ Explanation of changes and whether or not financial condition has improved
 - ❑ Do restrictions, commitments or limitations affect resources available for future use
 - ❑ Significant capital asset and long-term debt activity

Financial Statements

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- Financial Statements
 - Statement of Net Position
 - Statement of Revenue, Expenses and Changes in Net Position
 - Statement of Cash Flows
 - Notes to the Financial Statements

Financial Statements

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Required Supplementary Information

- Required by GASB

- Apply limited procedures, but do not express an opinion

Supplemental Information

- Presented for purposes of additional analysis (required by HUD)

- Subjected to auditing procedures applied as part of financial audit

Financial Statements

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Single Audit

- Report on internal control over financial reporting and on compliance and other matters
- Report on compliance with major programs, internal control over compliance and on Schedule of Expenditures of Federal Awards
- Schedule of Expenditures of Federal Awards
- Findings and questioned costs

Results of Audit

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- ❑ Scope
 - ❑ Financial audit of Housing Authority of City
 - ❑ Financial audit of Housing Authority of County
 - ❑ Single audits of both
- ❑ Initial communication to Board at 2/23/16 meeting
- ❑ Communicated results of audit to Executive Committee at 9/21/16 meeting

Results of Audit

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- ❑ Timing
 - ❑ Interim – January/February 2016
 - ❑ Final began in May 2016 and continued to mid September
 - ❑ Later timing due to implementation of new financial system
- ❑ Unmodified opinion issued for both Authorities

Results of Audit

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□ Summary financial results

□ City

- Assets increased \$2.2 million
- Liabilities increased \$4.4 million
- Net position decreased \$2.2 million

□ County

- Assets increased \$3.4 million
- Liabilities increased \$7.6 million
- Net position decreased \$4.2 million

Results of Audit

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Single Audit

City

- \$58 million in federal expenditures
- Section 8 Housing Voucher Program was major program (\$50 million out of \$58 million)
- No findings or questioned costs

County

- \$45 million in federal expenditures
- Section 8 Housing Voucher Program and Farm Labor Loans and Grants were major programs (\$41 million out of \$45 million)
- No findings or questioned costs

Results of Audit

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- ❑ Implementation of GASB 68
 - ❑ Pension liability recorded on books
 - ❑ City – \$3.8 million
 - ❑ County – \$3.9 million
- ❑ Estimates in preparing statements
 - ❑ Useful lives, collectability of grants, notes and related party receivables, actuarial valuation of pension liability
 - ❑ All found to be reasonable and have a sound basis

Results of Audit

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- No material weaknesses or significant deficiencies
- All recommendations are best practice
 - Cash receipts
 - Accounts payable
 - Journal entries
 - Payroll
 - General ledger accounts
 - Reporting for Parlier Migrant Program

Results of Audit

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- 2 immaterial adjustments noted which Authorities chose to not record
- No disagreements with management
- Management provided representations to us at the end of the audit
- No consultations with other accountants
- We remain available to Authorities as a resource throughout the year

Audit Results

- Results can be found in the Schedule of Findings and Questioned Costs in the Audit.
 - 2016 Results
 - Unmodified opinion on financial reports and compliance (i.e. fairly presented)
 - No findings
 - No noncompliance
 - No material weaknesses or significant deficiencies in internal controls

Audit Result History

City HA	2015	2014	2013	2012	2011	2010 - Joint
Opinion	Unmodified	Unmodified	Unmodified	Unqualified	Unqualified	Unqualified
Material Weaknesses - FR	0	0	0	1	0	0
Significant Deficiencies - FR	0	1	1	1	0	5
Noncompliance	0	0	0	0	0	0
Material Weaknesses - IC	0	0	0	0	0	0
Significant Deficiencies - IC	0	0	1	0	0	3
Findings	0	1	2	2	0	7

County HA	2015	2014	2013	2012	2011	2010 - Joint
Opinion	Unmodified	Unmodified	Unmodified	Unqualified	Unqualified	Unqualified
Material Weaknesses - FR	0	0	0	1	0	0
Significant Deficiencies - FR	0	0	1	1	0	5
Noncompliance	0	0	0	0	0	0
Material Weaknesses - IC	0	0	0	0	0	0
Significant Deficiencies - IC	0	0	1	1	0	3
Findings	0	0	1	3	0	7

FR: Financial Reporting

IC: Internal Controls

Management Recommendations

- Cash Receipts
 - Auditor's recommend that the duties of collecting cash, recording cash and making adjustments to ledgers are segregated.
 - Management agrees and is in the process of implementing the recommended controls.
- Accounts Payable
 - Auditor's recommend that the duties of creating/approving invoices & PO's and adding/modifying vendors are segregated, and eliminate access for other staff.
 - Management agrees, and has already been implemented with Yardi.

Management Recommendations

- Journal Entries
 - Auditor's recommend that the Agency adopt an approval system for journal entries.
 - Management has already implemented an internal policy and is incorporating those approval levels in Yardi.
- Payroll
 - Auditor's recommend restricting access to the payroll system for accounting staff.
 - Management agrees and is investigating systems that will allow for this control.

Management Recommendations

- General Ledger Accounts
 - Auditor's recommend that GL accounts be reviewed and adjustments made before the audit begins.
 - Management agrees and is implementing a monthly close process that will eliminate most year-end adjustments.
- Reporting for Parlier Migrant Program
 - Auditor's recommend reporting on a calendar year basis instead of the fiscal year.
 - Staff agrees and will implement during 2016 audit.

Questions or Comments?