



Washington State Auditor's Office

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Accountability Audit Report

Housing Authority of Brewster

Okanogan County

For the period January 1, 2012 through December 31, 2014

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Washington State Auditor

July 2, 2015

Board of Commissioners
Housing Authority of Brewster
Brewster, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Housing Authority operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our report on the Housing Authority's compliance and safeguarding of public resources. Our independent audit report describes the overall results and conclusions for areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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AUDIT SUMMARY

Results in brief

In most areas we audited, Housing Authority operations complied with applicable requirements and provided adequate safeguarding of public resources. The Housing Authority also complied with state laws and regulations and its own policies and procedures in the areas we examined.

However, we identified areas in which the Housing Authority could make improvements over financial operations.

We recommended the Housing Authority:

- Create and maintain accurate accounting records and retain supporting documentation of transactions according to local government records retention schedules.
- Hold Board monthly meetings, as required by Housing Authority policy to review and approve activity.
- Dedicate the necessary resources to identify current and future financial obligations regarding the tax credit partnership and dissolution of the Housing Authority.
- Dedicate the necessary resources to determine if contractual obligations are being satisfied by both the contracted property management company and the Housing Authority.

These recommendations were included in our report as a finding.

About the audit

This report contains the results of our independent accountability audit of the Housing Authority of Brewster from January 1, 2012 through December 31, 2014.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

Our audit involved performing procedures to obtain evidence about the Housing Authority's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Financial operations
- Contract monitoring

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2014-001 The Housing Authority's oversight of financial operations is insufficient to safeguard public resources.

Background

The City of Brewster created the Brewster Housing Authority in 1990 to apply for funding to develop low-income housing projects with the City. The Housing Authority began operations in October 1999 when it became a general partner in a Low-income Housing Tax Credit project, Vista Park Homes, a 24-unit apartment complex.

The Housing Authority had expenses of \$11,882 and income of \$2,674 in 2012. However, after changing property management companies, the Housing Authority had no expenses in 2013 and 2014, and income was just over \$1 each year.

The Housing Authority contracts with a property management company to manage Vista Park Homes. The management company receipts Vista Park funds and pays related expenditures on behalf of the Housing Authority. The Housing Authority is required to monitor the contract and to pay a small amount of expenses each year, including audit costs.

The Housing Authority intends to dissolve when the tax credit partnership concludes in 2015. The prior audit identified that the Housing Authority had no Board Members or employees. Since the last audit, the Housing Authority appointed a new Board and Executive Director and changed property management companies.

Description of Condition

We noted the following conditions:

- The Housing Authority does not hold regular meetings to review and approve activity. During the audit period, the Housing Authority operated for 17 consecutive months without holding a meeting. The Housing Authority's policy requires monthly meetings.
- The Housing Authority did not maintain accounting records or use a general ledger to prepare financial statements. In addition, the Housing Authority did not retain supporting documentation for all payments.

- The Housing Authority does not effectively monitor its contract with its property management company. The Housing Authority was unable to provide information for audit regarding the contractual obligations and subsequent completion of the contract and tax credit and is relying on the management company to correctly address all obligations.

Cause of Condition

The Housing Authority has not dedicated necessary time and resources to monitoring and operations, in part, because it plans to dissolve in 2015.

Effect of Condition

Without meetings, the governing board and Executive Director are unable to review or approve activity or effectively monitor its contracted property management company.

By relying on its contacted management company to prepare for completion of the tax credit partnership, the Housing Authority is unaware if current obligations are being adequately addressed and if it will be able to pay future obligations at its dissolution.

The Housing Authority is at risk for loss of public resources without being prevented or detected in a timely manner, if at all.

Recommendation

We recommend the Housing Authority:

- Create and maintain accurate accounting records and retain supporting documentation of transactions according to local government records retention schedules.
- Hold Board monthly meetings, as required by Housing Authority policy to review and approve activity.
- Dedicate the necessary resources to identify current and future financial obligations regarding the tax credit partnership and dissolution of the Housing Authority
- Dedicate the necessary resources to determine if contractual obligations are being satisfied by both the contracted property management company and the Authority

Authority's Response

The Brewster Housing Authority is a single property Housing Authority and as indicated in the Schedule of Audit Findings "Background", has experienced reasonable financial success through the property management company the Housing Authority retained a few years ago to manage the sole property, Vista Park Homes. The Housing Authority utilizes the City of Brewster staff and has no staff of its own. As indicated in the "Background" section of the Audit, there is no additional revenue for the Housing Authority to utilize to independently evaluate financial operations of the Housing Authority conducted by the contract manager. City staff, on behalf of the Housing Authority, do review the contract manager financial reports and are not aware of any money that is missing, has been misappropriated, or any misuse of funds by the property management company.

The Housing Authority periodically experiences difficulty locating and retaining Board Members, but currently has a full complement of Board Members and will commit to meeting monthly, unless and until the Housing Authority Board changes the policy.

The Housing Authority provides an important local affordable housing function for the Brewster community. Because the Housing Authority only manages the one property, the Housing Authority will be examining in 2015, whether a transfer of operations or other ownership plan may be in the best interest of the greater Brewster community. While it may be desirable for the Housing Authority to dissolve or transition to a different ownership form in 2015, this may not occur because of the various legal requirements associated with the continued obligations and contingency commitments for operation of Vista Park Homes.

Auditor's Remarks

We appreciate the Housing Authority dedicating the necessary resources to determine appropriate future actions.

Applicable Laws and Regulations

RCW 43.09.200, Local government accounting--Uniform system of accounting, states:

The state auditor shall formulate, prescribe, and install a system of accounting and reporting for all local governments, which shall be uniform for every public institution, and every public office, and every public account of the same class.

The system shall exhibit true accounts and detailed statements of funds collected, received, and expended for account of the public for any purpose whatever, and by all public officers, employees, or other persons.

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction; all statements and reports made or required to be made, for the internal administration of the office to which they pertain; and all reports published or required to be published, for the information of the people regarding any and all details of the financial administration of public affairs.

Volume 1, Part 3, Chapter 1, Page 12 of the 2004 *Budgeting, Accounting and Reporting System* (BARS) manual, issued by the State Auditor's Office pursuant to RCW 43.09.230, states in part:

Each entity is responsible for establishing and maintaining an effective system of internal controls throughout their government. An internal control system should provide reasonable assurance that an entity will accomplish its objectives.

RCW 35.82.040, Appointment, qualifications, and tenure of commisisoners, states in part:

The powers of each authority shall be vested in the commissioners thereof in office from time to time. Except as provided in RCW 35.82.045, three commissioners shall constitute a quorum of the authority for the purpose of conducting its business and exercising its powers and for all other purposes. Action may be taken by the authority upon a vote of a majority of the commissioners present, unless in any case the bylaws of the authority shall require a larger number.

RCW 42.24.080, Municipal corporations and political subdivisions — Claims against for contractual purposes — Auditing and payment — Forms — Authentication and certification, states:

(1) All claims presented against any county, city, district or other municipal corporation or political subdivision by persons

furnishing materials, rendering services or performing labor, or for any other contractual purpose, shall be audited, before payment, by an auditing officer elected or appointed pursuant to statute or, in the absence of statute, an appropriate charter provision, ordinance or resolution of the municipal corporation or political subdivision. Such claims shall be prepared for audit and payment on a form and in the manner prescribed by the state auditor. The form shall provide for the authentication and certification by such auditing officer that the materials have been furnished, the services rendered, the labor performed as described, or that any advance payment is due and payable pursuant to a contract or is available as an option for full or partial fulfillment of a contractual obligation, and that the claim is a just, due and unpaid obligation against the municipal corporation or political subdivision. No claim shall be paid without such authentication and certification. (2) Certification as to claims of officers and employees of a county, city, district or other municipal corporation or political subdivision, for services rendered, shall be made by the person charged with preparing and submitting vouchers for payment of services. He or she shall certify that the claim is just, true and unpaid, and that certification shall be part of the voucher.

RCW 40.14.070 Destruction, disposition, donation of local government records – Preservation for historical interest – Local records committee, duties – Record retention schedules – Sealed records, states in part:

(2)(a) Except as otherwise provided by law, no public records shall be destroyed until approved for destruction by the local records committee.

INFORMATION ABOUT THE HOUSING AUTHORITY

The Brewster City Council created the Brewster Housing Authority in 1990 to apply for funding to develop low-income housing projects with the city. The Housing Authority did not conduct any financial activity until it completed and began operations for its first housing project in October 1999.

The Housing Authority is designed to be governed by a five-member Board of Commissioners appointed by the Brewster City Council. The Housing Authority has had little financial activity and is looking to dissolve in 2015. The day-to-day operations of the Housing Authority are managed by an Executive Director who is also the city of Brewster's Clerk-Treasurer. She is the only employee appointed by the Board.

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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Housing Authority of Brewster at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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