



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Joint City of Republic-Ferry County Housing Authority

For the period January 1, 2014 through December 31, 2016

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December 4, 2017

Board of Commissioners
Joint City of Republic-Ferry County Housing Authority
Republic, 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,

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

Audit Summary	4
Schedule Of Audit Findings And Responses	5
Summary Schedule Of Prior Audit Findings	8
Information About The Housing Authority	10
About The State Auditor’s Office	11

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 most areas we examined.

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

We recommended the Housing Authority's Board of Commissioners continue monitoring the recently adopted plan of operations to meet goals and adopt changes as necessary. In addition, the County should continue working with the federal and state agencies either to make planned property transfers or to resolve debt obligations.

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 Joint City of Republic-Ferry County Housing Authority from January 1, 2014 through December 31, 2016.

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:

- Cash receipting
- Financial condition
- Open Public Meetings Act compliance

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

2017-001 The Housing Authority is at risk of not being able to meet its financial obligations or maintain operations.

Background

The Joint City of Republic-Ferry County Housing Authority has experienced financial difficulties since 2011.

In 2011, the Housing Authority inappropriately used Revolving Loan Funds from the Washington State Department of Commerce to supplement its daily operations, creating a \$230,000 obligation to the Department. In addition, the Housing Authority failed to comply with federal grant regulations, which caused the Department of Housing and Urban Development to transfer the Housing Choice Voucher program to a non-local entity in 2014. Also in 2014, the U.S. Department of Agriculture threatened foreclosure and required a third-party manager to take over operations of the San Poil Plaza project.

In 2015, the Housing Authority borrowed \$17,000 from Ferry County and used \$55,000 of Ferry County Homeless Funds to cover cash flow. In addition, the Ferry County Auditor's Office took over the processing and reporting of financial transactions to improve controls and accuracy.

We have reported findings over financial condition in each audit since 2011. In addition, the Housing Authority did not produce reliable financial statements for fiscal years 2012 through 2014.

Description of Condition

The Housing Authority's Board of Commissioners adopted a budget and general plan of operations to keep the Housing Authority functioning and meet debt obligations in 2017. However, the Housing Authority owes about \$2.1 million to federal, state and local agencies as of December 2016.

The Housing Authority's financial position improved in 2016 and since; however, the Authority's unrestricted cash balance might not be sufficient to support operating expenses for a sustained period.

Fiscal Year	Unrestricted Ending Cash Balance	Revenues	Expenses	Net Gain/Loss
2011	84,327	619,766	688,979	(69,213)
2012	61,041	656,815	705,966	(49,151)
2013	21,768	526,045	678,749	(152,704)
2014	(2,659)	479,489	573,521	(94,032)
2015	8,633	283,365	271,865	11,500
2016	9,681	275,177	195,121	80,056
2017*	29,174	121,894	102,918	18,976

*as of September 30, 2017

Cause of Condition

As we reported in our previous finding, the Housing Authority has experienced continued turnover in its Board of Commissioners, Executive Director and accounting staff since 2011.

The Housing Authority lost necessary funding and programs from federal granting agencies, further affecting its ability to maintain operations.

Effect of Condition

The Housing Authority hired a new site manager in June 2016, and increased occupancy during the current period; however, it continues to operate on limited resources and has enough cash to cover only 2.5 months of operating expenditures. It sold three housing properties for about \$100,000 and used \$40,000 of Ferry County homeless funds in 2016 to manage cash flow. In addition, the Housing Authority signed final contracts to transfer the San Poil Project to a non-profit organization.

The City of Republic and Ferry County (the creating and appointing agencies) plan to transfer the remaining Pine Bluff and Heather Hill apartments to a non-profit housing organization so local citizens will continue to receive the same public housing services. Once all business is complete, the City and County plan to dissolve the Housing Authority.

Recommendation

We recommend the Housing Authority's Board of Commissioners continue monitoring the recently adopted plan of operations to meet goals and adopt

changes as necessary. In addition, the County should continue working with the federal and state agencies either to make the planned property transfers or to resolve debt obligations.

Housing Authority's Response

We have continued to improve occupancy and in 2017 no funds were used from the Ferry County Homeless funds. As of September 30, 2017 a net gain of \$18,976.00 was realized. Since then the WCRA loan and the loan from Ferry County was paid off thereby reducing the outstanding debt. The Housing Authority signed final contracts to transfer the San Poil Plaza and the outstanding debt will be assumed by the transferee. The Housing Authority is also in the process of transferring the remainder of the properties and the debt will be assumed by the transferee as well. Both properties will continue to provide public housing services. The goal is to have the transfers complete by December 31, 2017 and as soon as possible thereafter to dissolve the Housing Authority.

Auditor's Remarks

We appreciate the steps the Housing Authority is taking to resolve this issue. We will review the condition during our next audit.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Joint City of Republic-Ferry County Housing Authority January 1, 2014 through December 31, 2016

This schedule presents the status of findings reported in prior audit periods. The status listed below is the representation of the Joint City of Republic-Ferry County Housing Authority. The State Auditor's Office has reviewed the status as presented by the Housing Authority.

Audit Period: January 1, 2015 through December 31, 2015	Report Ref. No.: 1018841	Finding Ref. No.: 2015-001
Finding Caption: The Housing Authority's internal controls over accounting and financial statement preparation were not adequate to ensure accurate and timely reporting.		
Background: The Housing Authority failed to report revenue and expenditure transactions processed by the contracted non-profit organization that managed Housing Authority operations for half of 2015. As a result, the Housing Authority materially understated its revenues and expenditures by \$56,101 and \$88,032, respectively. In addition, it overstated long-term liabilities by \$7,528 and did not use the correct format for the notes to the financial statements.		
Status of Corrective Action: <input checked="checked" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>The financial were corrected and resubmitted. In 2016 we didn't have Rural Resources managing the property. The County financial system was used for the whole year so only the San Poil Plaza financial had to be incorporated. Also, financials were prepared and reviewed the same as the County reports.</i>		

Audit Period: January 1, 2015 through December 31, 2015	Report Ref. No.: 1018841	Finding Ref. No.: 2015-002
Finding Caption: The Housing Authority is at risk of not being able to meet its financial obligations or to maintain operations.		
Background: The Housing Authority's financial position declined from 2011 through 2015 and it lacked adequate unrestricted cash to cover operating expenses for a sustained period. Due to inadequate controls over compliance with federal and state agency requirements, the Housing Authority lost essential funding and operated on limited resources. As a result, Ferry County had to expend about \$72,000 in homeless funds and other resources to support the Housing Authority's operations in 2015.		

Status of Corrective Action:☐ Fully
Corrected☒ Partially
Corrected☐ Not Corrected☐ Finding is considered no
longer valid**Corrective Action Taken:**

The Housing Authority sold several properties to help with cash flow and greatly improved the occupancy rate. Therefore, no homeless funds were used from Ferry County. We had positive cash flows.

INFORMATION ABOUT THE HOUSING AUTHORITY

The Joint City of Republic-Ferry County Housing Authority was organized in 1991. The Housing Authority provides safe and sanitary low-income housing to area residents. The Housing Authority owns the Heather Hills Apartments and Senior Pine Bluff Apartments. It operates on grants received from the U.S. Department of Agriculture, Commerce and on rental income.

The City of Republic and Ferry County appoint a five-member Board of Commissioners to govern the Housing Authority. The Board oversees the Authority's three part-time employees. The Housing Authority spent about \$574,000, \$272,000 and \$186,000 for fiscal years 2014, 2015 and 2016, respectively.

Contact information related to this report	
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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Joint City of Republic-Ferry County Housing Authority 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.

Contact information for the State Auditor's Office	
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