

**REGIONAL HOUSING AUTHORITY OF
SUTTER AND NEVADA COUNTIES,
CALIFORNIA**

**MANAGEMENT REPORT
FOR THE YEAR ENDED
MARCH 31, 2013**

THIS PAGE INTENTIONALLY LEFT BLANK

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Management Report
For the Year Ended March 31, 2013

Table of Contents

| | Page |
|---|------|
| Transmittal Letter. | 1 |
| Schedule of Management Findings and Recommendations. | 2 |

THIS PAGE INTENTIONALLY LEFT BLANK

To the Board of Commissioners
Regional Housing Authority of Sutter and Nevada Counties
Yuba City, California

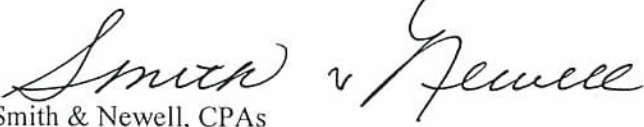
We have audited the financial statements of Regional Housing Authority of Sutter and Nevada Counties as of and for the year ended March 31, 2013, and have issued our report thereon dated August 5, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards and our Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133. Disclosures in those reports, which are dated August 5, 2013, should be considered in conjunction with this management report.

During our audit we noted certain matters involving internal controls and other operational matters that are presented for your consideration in this report. Our comments and recommendations, all of which have been discussed with appropriate members of management, are not intended to be all-inclusive, but rather represent those matters that we considered worthy of your consideration. Our comments and recommendations are submitted as constructive suggestions to assist you in strengthening controls and procedures. We will review the status of these comments during our next audit engagement.

The Authority's written response to the findings identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the Board of Commissioners and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.


Smith & Newell, CPAs
Yuba City, California
August 5, 2013

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Management Report
Schedule of Management Findings and Recommendations
For the Year Ended June 30, 2012

13-MC-01 Capital Assets

Condition

During our audit we noted that security deposits for tenants was \$109,509 while cash held in separate bank accounts designed for security deposits was \$85,243. There is a difference of \$24,266 between amounts held and the actual amount that should be held.

Cause

The Authority had security deposits in excess of actual cash held in designated security deposits bank accounts.

Criteria

The HUD Audit Guide, Paragraph 3.5.L.1, states that funds collected as security deposits shall be kept in the name of the project, separate and apart from all other funds of the project in a trust account. The amount of this account shall at all times equal or exceed the aggregate of all outstanding obligations under this account. Funds must not be commingled with funds from other projects.

Effect of Condition

The Authority was not in compliance with the HUD Audit Guide.

Recommendation

We recommend that the Authority establish and maintain separate bank accounts for each project and that amounts held be equal to or in excess of the security deposit amount.

Corrective Action Plan

Although the Authority does maintain separate bank accounts for each project and periodically monitors the amounts to ensure they are equal to or greater than the security deposit liability, the majority of the underfunding comes from Kingwood Commons (non-HUD/USDA), a project that continues to have negative receipts. Good fiscal responsibility dictates that other projects do not fund this project's security deposit liability, therefore, the liability is unfunded and the combined difference between cash and liability remains.