

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

**SINGLE AUDIT ACT
REPORTS AND SCHEDULES
FOR THE YEAR ENDED
MARCH 31, 2015**

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REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Single Audit Act
For the Year Ended March 31, 2015

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the 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, the financial statements of the business-type activities and each major fund of Regional Housing Authority of Sutter and Nevada Counties, as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the previous paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness. (2015-001)

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency. (2015-002)

Compliance and Other Matters

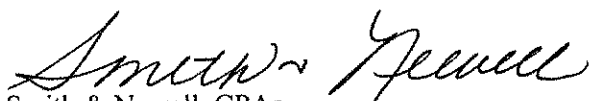
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Authority's Response to Findings

The Regional Housing Authority of Sutter and Nevada Counties' response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Smith & Newell, CPAs
Yuba City, California
September 30, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Regional Housing Authority of Sutter and Nevada Counties' compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the year ended March 31, 2015. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2015.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

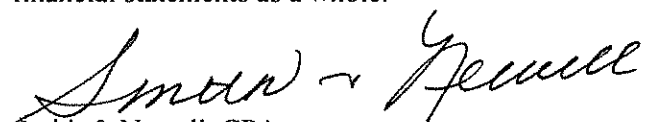
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the business-type activities and each major fund of Regional Housing Authority of Sutter and Nevada Counties, as of and for the year ended March 31, 2015 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated September 30, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Smith & Newell, CPAs
Yuba City, California
September 30, 2015

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REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Schedule of Expenditures of Federal Awards
For the Year Ended March 31, 2015

<u>Federal Program/Pass Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Agency/ Pass-Through Entity Identifying Number</u>	<u>Disburse- ments/ Expenditures</u>
U.S. Department of Agriculture			
Direct Program:			
Rural Rental Assistance Payments	10.427	04-051-0946003474	\$ 1,300,203
Total U.S. Department of Agriculture			<u>1,300,203</u>
U.S. Department of Housing and Urban Development			
Direct Program:			
Public and Indian Housing	14.850	CA 048-000032-14D	344,284
Public and Indian Housing	14.850	CA 048-000032-15D	74,132
Public and Indian Housing	14.850	CA 048-000022-15D	<u>32,438</u>
Subtotal 14.850			<u>450,854</u>
Family Self-Sufficiency Program	14.896	CA 048-FSH083014	12,885
Family Self-Sufficiency Program	14.896	CA 107-FSH090A014	<u>13,749</u>
Subtotal 14.850			<u>26,634</u>
Section 8 Housing Choice Vouchers	14.871	CA048VO	6,683,187
Public Housing Capital Fund	14.872	CA-30-P048501-14	<u>228,755</u>
Total U.S. Department of Housing and Urban Development			<u>7,389,430</u>
Total Expenditures of Federal Awards			<u>\$ 8,689,633</u>

See the accompanying notes to the Schedule of Expenditures of Federal Awards.

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REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended March 31, 2015

1. REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Regional Housing Authority of Sutter and Nevada Counties. The Regional Housing Authority of Sutter and Nevada Counties reporting entity is defined in Note 1 to the Authority's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the Schedule of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. The accompanying Schedule of Expenditures of Federal Awards, is presented using the accrual basis of accounting for grants accounted for in the proprietary fund types, as described in the notes to the Authority's financial statements.

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree or can be reconciled with amounts reported in the related federal financial assistance reports.

4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree or can be reconciled with amounts reported in the Authority's basic financial statements.

5. PASS -THROUGH ENTITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the Authority determined that no identifying number is assigned for the program or the Authority was unable to obtain an identifying number from the pass-through entity.

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Schedule of Findings and Questioned Costs
For the Year Ended March 31, 2015

I. SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements	<u>Status</u>
1. Type of auditor's report issued	Unqualified
2. Internal controls over financial reporting:	
a. Material weaknesses identified?	Yes
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
3. Noncompliance material to financial statements noted?	No

Federal Awards

1. Internal control over major programs:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
2. Type of auditor's report issued on compliance for major programs:	Unqualified
3. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 Section 510(a)?	No
4. Identification of major programs: 14.871 Section 8 Housing Choice Vouchers	
5. Dollar threshold used to distinguish between Type A and Type B programs?	\$ 300,000
6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

Prior Period Adjustment	2015-001
FSS Escrow Deposits Payable	2015-002

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None Reported

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Schedule of Findings and Questioned Costs
For the Year Ended March 31, 2015

2015-001 Prior Period Adjustments (Material Weakness)

Condition

During our audit we noted that the Authority made material prior period adjustments to correct a prior year allowance for doubtful accounts related to Housing Choice Voucher fraud recovery. A prior period adjustment was also required to record the Authority's investment in the Maple Park I, Limited Partnership.

Cause

In the current year the Authority made adjustments to balances reported for allowance for doubtful accounts related to Housing Choice Voucher fraud recovery as directed by HUD. In addition, the Authority had not recorded its investment in the Maple Park I, Limited Partnership.

Criteria

An effective internal control system including accounting policies and procedures is necessary to provide reasonable assurance for the completeness of accounting records and proper year end closing.

Effect of Condition

Business-type activities fund beginning net position and enterprise fund beginning net position were restated as of April 1, 2014.

Recommendation

We recommend that the Authority continue to improve its internal control system and its policies and procedures in reviewing detail general ledger accounts for accuracy.

Corrective Action Plan

RHASNC was requested by HUD to change their process on how fraud recovery is posted. In the past, the total amount due was posted as a debit to Accounts Receivable and a credit to Revenue. In the future, the total amount due will continue to be posted as a debit to Accounts Receivable, however, there will now be an offset to Fraud Recovery (a liability account) until actual payment is received, at which time the revenue will be recognized. The net result is that only actual collections will be posted to the Income Statement. This change could result in less revenue being posted annually to the HCV program Income Statement, however, eventually the entire amount will appear as revenue.

Maple Park was developed with donated land from RHASNC. When the project was completed, a review as to whether or not RHASNC held interest in the property was researched and when it was determined that there was a recordable interest, an entry was made to the RHASNC balance sheet.

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Schedule of Findings and Questioned Costs
For the Year Ended March 31, 2015

2015-002 FSS Escrow Deposits Payable (Significant Deficiency)

Condition

During our audit we noted that FSS escrow deposits payable were overstated by \$26,967.

Cause

The Authority did not properly reconcile the FSS escrow deposits payable account to the supporting schedule and remove deposits for amounts that had been forfeited.

Criteria

Good internal control requires that monies held for FSS escrow deposits be reconciled to the general ledger on a monthly basis and any amounts forfeited be properly recorded.

Effect of Condition

By not reconciling monies held for FSS escrow deposits to the general ledger on a monthly basis the possibility of errors and irregularities occurring and not being detected is increased.

Recommendation

We recommend that the Authority reconcile the FSS escrow deposits payable on a monthly basis and record any adjustments in the proper period.

Corrective Action Plan

The FSS escrow account was over funded by \$26,967 due to participants leaving the program and their escrow funds not being transferred back to the HAP bank account where they originated. Although there was a process in place, it had not been followed. Funds have now been transferred and training provided to staff monitoring this program.

REGIONAL HOUSING AUTHORITY OF SUTTER AND NEVADA COUNTIES
Schedule of Prior Year Findings and Questioned Costs
For the Year Ended March 31, 2015

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendations</u>
2014-001	<p>Debt Issuance</p> <p>Recommendation</p> <p>We recommend that all debt and liabilities and capital assets be properly recorded in the general ledger prior to the start of the annual audit. We further recommend that the Authority implement policies and procedures to ensure that financial documents such as bond and loan issuances and capital asset acquisitions be routed to the finance department to facilitate the proper recording of assets and liabilities in the general ledger.</p> <p>Status</p> <p>Implemented</p>

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