

**REGIONAL HOUSING AUTHORITY,
CALIFORNIA**

**SINGLE AUDIT ACT
REPORTS AND SCHEDULES
FOR THE YEAR ENDED
MARCH 31, 2019**

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REGIONAL HOUSING AUTHORITY
Single Audit Reports
For the Year Ended March 31, 2019

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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
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 the aggregate remaining fund information of Regional Housing Authority, California, (Authority) as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated July 16, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule findings and questioned costs, that we consider to be a significant deficiency. (2019-001)

To the Board of Commissioners
Regional Housing Authority
Yuba City, California

Compliance and Other Matters

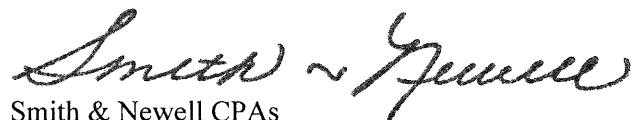
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 Finding

The Authority's response to the finding identified in our audit is described in the accompanying management's corrective action plan. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
July 16, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

To the Board of Commissioners
Regional Housing Authority
Yuba City, California

Report on Compliance for Each Major Federal Program

We have audited the Regional Housing Authority, California's (Authority) compliance with the types of compliance requirements described in the OMB 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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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
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, 2019.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

To the Board of Commissioners
Regional Housing Authority
Yuba City, California

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of Regional Housing Authority, California, (Authority) as of and for the year ended March 31, 2019 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. We issued our report thereon dated July 16, 2019, 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 the Uniform Guidance 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
July 16, 2019

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REGIONAL HOUSING AUTHORITY
Schedule of Expenditures of Federal Awards
For the Year Ended March 31, 2019

Federal Grantor/Pass Through Grantor/Program Title	Catalog of Federal Domestic Assistance (CFDA) Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
Direct Program:				
Rural Rental Assistance Payments	10.427	04-051-563486073-077	\$ -	\$ 1,222,088
Rural Rental Assistance Payments	10.427	04-051-563486073-094	-	146,936
Subtotal 10.427			-	1,369,024
Total U.S. Department of Agriculture			-	1,369,024
U.S. Department of Housing and Urban Development				
Direct Program:				
Section 8 Housing Assistance Payments Program	14.195	CA30M0000857	-	136,296
Section 8 Housing Assistance Payments Program	14.195	CA39R0000007	-	207,625
Subtotal 14.195			-	343,921
Public and Indian Housing	14.850	CA048-00003217D	-	337
Public and Indian Housing	14.850	CA048-00003218D	-	339,096
Public and Indian Housing	14.850	CA048-00003219D	-	89,848
Subtotal 14.850			-	429,281
Section 8 Housing Choice Vouchers	14.871	CA048 VO-Assistance	-	10,279,894
Section 8 Housing Choice Vouchers	14.871	CA048 VO-Administration	-	1,134,416
Subtotal 14.871			-	11,414,310
Public Housing Capital Fund	14.872	CA-30-P048501-18	-	431,115
Public Housing Capital Fund	14.872	CA30R048501-13	-	24,867
Public Housing Capital Fund	14.872	CA30R048501-14	-	29,653
Public Housing Capital Fund	14.872	CA30R048501-15	-	32,891
Public Housing Capital Fund	14.872	CA01R048501-16	-	37,278
Subtotal 14.872			-	555,804
Public Housing Self Sufficiency Under Resident Opportunity and Supportive Services	14.877	FSS17CA0494	-	80,883
Public Housing Self Sufficiency Under Resident Opportunity and Supportive Services	14.877	FSS18CA2362	-	27,173
Subtotal 14.877			-	108,056
Total U.S. Department of Housing and Urban Development			-	12,851,372
Total			\$ -	\$ 14,220,396

See accompanying Notes to Schedule of Expenditures of Federal Awards.

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REGIONAL HOUSING AUTHORITY
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended March 31, 2019

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 (Authority). The Authority 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. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Authority, it is not intended to, and does not, present the financial position, changes in net position or cash flows of the Authority.

2. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and 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 financial statements. Such expenses are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenses are not allowed or are limited as to reimbursements.

3. INDIRECT COST RATE

The Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

5. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

6. 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 and the identifying number is shown as unknown.

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REGIONAL HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended March 31, 2019

I. SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements	<u>Status</u>
1. Type of auditor's report issued	Unmodified
2. Internal controls over financial reporting:	
a. Material weaknesses identified?	No
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:	Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516 (a)	No
4. Identification of major programs:	
14.195 Section 8 Housing Assistance Payments Program	
14.871 Section 8 Housing Choice Vouchers	
5. Dollar threshold used to distinguish between Type A and Type B programs?	\$ 750,000
6. Auditee qualified as a low-risk auditee under 2 CFR Section 200.520	No

SECTION II - FINANCIAL STATEMENT FINDINGS

Cash Reconciliation	2019-001
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SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

REGIONAL HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended March 31, 2019

2019-001 Cash Reconciliation (Significant Deficiency)

Condition

At the beginning of our audit fieldwork we noted that the cash balance on the general ledger was overstated by approximately \$600,000.

Cause

The reconciled bank balance had not been compared to the cash balance on the general ledger to verify that the balances were correct.

Criteria

Good internal control requires that cash be reconciled on a monthly basis and compared to the cash balances on the general ledger.

Effect of Condition

The cash balance on the general ledger was overstated and audit adjustments of approximately \$600,000 were needed to reconcile the Authority's pooled cash to the general ledger as of March 31, 2019.

Recommendation

We recommend that the Authority perform a complete reconciliation of pooled cash on a monthly basis, which includes comparing the reconciled cash balance to the cash balance on the general ledger.



REGIONAL HOUSING AUTHORITY

Serving the Cities of Live Oak, Yuba City and Colusa • Counties of Sutter, Nevada, Colusa and Yuba

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July 17, 2019

Smith & Newell
Certified Public Accounts
950 Tharp Road, Suite 502
Yuba City, CA 95993

Status of Prior Year Findings and Questioned Costs For the Year Ended March 31, 2019

STATUS OF PRIOR YEAR RECOMMENDATION


Prior Period Adjustments

Prior Year Recommendation

We recommend that the Authority properly record loans receivable, disposal of capital assets and loans payable.

Status

Implemented May 20, 2019


Gustavo Becerra, Executive Director


Gail L. Allen, Chief Financial Officer



REGIONAL HOUSING AUTHORITY

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July 17, 2019

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Management's Corrective Action Plan For the Year Ended March 31, 2019

2019-001 Cash Reconciliation (Significant Deficiency)

We recommend that the Authority perform a complete reconciliation of pooled cash on a monthly basis, which includes comparing the reconciled cash balance to the cash balance on the general ledger.

Responsible Individual: Gail L. Allen, Chief Financial Officer

Corrective Action Plan: The Authority reconciles cash using an integrated database system. In this instance, the database Reconciling and Trial Balance modules did not match. Both databases were then reviewed by the Authority, the error identified and necessary adjustments made. In the future, the Authority will review these two values monthly to ensure they agree.

Anticipated Completion Date: May 20, 2019



Gustavo Becerra, Executive Director
Gail L. Allen, Chief Financial Officer