

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2024

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unmodified
 Internal control over financial report:
 Material weakness identified? yes no
 Significant deficiency identified that is
 not considered to be material weakness? yes none reported
 Noncompliance material to financial
 statements noted? yes no

Federal Awards

Internal control over major programs:
 Material weakness identified? yes no
 Significant deficiency identified that is
 not considered to be material weakness? yes none reported
 Type of auditor's report issued on compliance
 for major programs: unmodified
 Any audit findings disclosed that are required
 to be reported in accordance with 2 CFR
 section 200.516(a)? yes no

<u>Identification of major programs:</u> <u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>14.850</u>	<u>Public Housing Operating Fund</u>
<u>14.871</u>	<u>Housing Voucher Cluster</u>
<u>14.872</u>	<u>Public Housing Cap Fund</u>
Dollar threshold used to distinguish between type A and type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont.)
Year Ended September 30, 2024

II. Financial Statement Findings

Finding 2024-001

Statement of condition: The account balances of cash and cash equivalents, investments, prepaid expenses, accounts receivable, inventory, capital assets, accounts payable, other current liabilities, accrued OPEB, accrued pension liability and long-term debt were misstated. In addition, there were numerous journal entries proposed during the audit.

Criteria: The Authority must ensure that proper internal controls are in place to initiate, authorize, record, process and report financial data reliability in accordance with generally accepted accounting principles.

Condition: There is a reasonable possibility that a misstatement of the Authority's financial statements will not be prevented or detected by the Authority's internal control.

Cause: Controls are not in place to ensure the Authority records and reports financial data reliably in accordance with generally accepted accounting principles.

Recommendation: The Authority should ensure proper internal controls are in place, including the monthly reconciliation of subsidiary ledgers to the financial statements of the Authority to prevent errors or irregularities from occurring and not being detected timely.

Authority Response: Auditee agrees with the auditor and management will be responsible for implementing the corrective action plan.

III. Federal Award Findings and Questioned Costs

Finding 2024-002

Statement of condition: The September 30, 2024 audit report was not submitted on or before its deadline.

Criteria: Code of Federal Regulations (CFR), Title 2, Part 300 Section 200.512(a)(1) requires Single Audit reports to be submitted within the earlier of 30 days after receipt of the audit by the agency, or nine months after the end of the audit period.

Cause: The delay in submitting the report was due to a lack of adequate internal controls to monitor the audit progress and ensure timely submission.

Effect: The Single Audit reporting package was not submitted to the Federal Audit Clearinghouse by the federally required deadline. Non-compliance with the reporting requirements is a violation of federal grants' terms and conditions.

HOUSING AUTHORITY OF THE COUNTY OF BUTTE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont.) Year Ended September 30, 2024

III. Federal Award Findings and Questioned Costs (Cont.)

Finding 2024-002 (Cont.)

Recommendations: We recommend that the Authority strengthen its internal controls and improve oversight of the audit process to ensure timely completion and submission of future reports. Additionally, the recipient should work closely with the audit firm to establish clearer timelines and ensure that any delays are addressed promptly

Authority Response: Leadership recognizes the federal award finding and questioned costs and is already moving forward with a systems change to ensure timeliness of completing the necessary processes with the annual audit.

IV. Schedule of Prior Year Audit Findings

Finding 2023-001

Observation: The prior audit revealed that the account balances for cash and cash equivalents, investments, prepaid expenses, accounts receivable, inventory, capital assets, accounts payable, other current liabilities, accrued OPEB, accrued pension liability, and long-term debt were misstated, and several journal entries were proposed to correct these errors. The Authority is required to maintain adequate internal controls to ensure the reliability of financial reporting in accordance with generally accepted accounting principles (GAAP). However, the Authority's internal controls were insufficient, increasing the risk that misstatements could go undetected. It is recommended that the Authority implement stronger internal controls, including monthly reconciliation of subsidiary ledgers to the financial statements, to detect and correct errors in a timely manner.

Status: The finding remains open. See Finding 2024-001

Finding 2023-002

Observation: The prior audit report was not submitted on or before its deadline. Code of Federal Regulations (CFR) requires Single Audit reports to be submitted within the earlier of 30 days after receipt of the audit by the agency, or nine months after the end of the audit period. However, the Authority's lacked adequate internal controls to monitor the audit progress and ensure timely submission. It is recommended that the Authority strengthens internal controls to improve oversight and work more closely with the audit firm to establish clearer timelines and ensure that delays are addressed properly.

Status: The finding remains open. See Finding 2024-002

HOUSING AUTHORITY OF THE COUNTY OF BUTTE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Cont.)
Year Ended September 30, 2024

IV. Schedule of Prior Year Audit Findings (Cont.)

Finding 2022-001

Observation: The prior audit revealed that the account balances for cash, investments, prepaid expenses, other revenue, and net position were misstated, and several journal entries were proposed to correct these errors. The Authority is required to maintain adequate internal controls to ensure the reliability of financial reporting in accordance with generally accepted accounting principles (GAAP). However, the Authority's internal controls were insufficient, increasing the risk that misstatements could go undetected. It is recommended that the Authority implement stronger internal controls, including monthly reconciliation of subsidiary ledgers to the financial statements, to detect and correct errors in a timely manner.

Status: The finding remains open. See Finding 2024-001

Finding 2021-001

Observation: The financial statements and notes to the financial statements shall be prepared in accordance with accounting principles generally accepted in the United States of America. Good accounting practices require that bank reconciliations be performed monthly to ensure that cash receipts and cash disbursements are recorded in a correct and timely manner, and that differences or errors be followed up and corrected in a timely manner. During test work over cash, we noted a difference of \$142,873 between the reconciled bank balances from Umpqua Bank (Evanswood Apts) and the Authority's cash balance per the general ledger.

Status: The finding remains open. See finding 2024-001

Finding 2021-002

Observation: The Authority lacks an effective internal control structure over financial close and reporting to allow accurate financial reporting. During the FY21 audit, the following issue was noted related to the Authority's financial close and reporting process:

There were unsupported accounts receivables, accounts payable, tenant security deposits, and accrued liabilities balances of the Authority at year end. The Authority lacks controls to ensure all accounts receivable, accounts payable, tenant security deposits, and accrued liabilities are reconciled during the year or at year-end.

Status: The finding remains open. See finding 2024-001