








AUDIT PRESENTATION 2023

Presented by Berman Hopkins CPAs and Associates, LLP
Brian Nemeroff, CPA

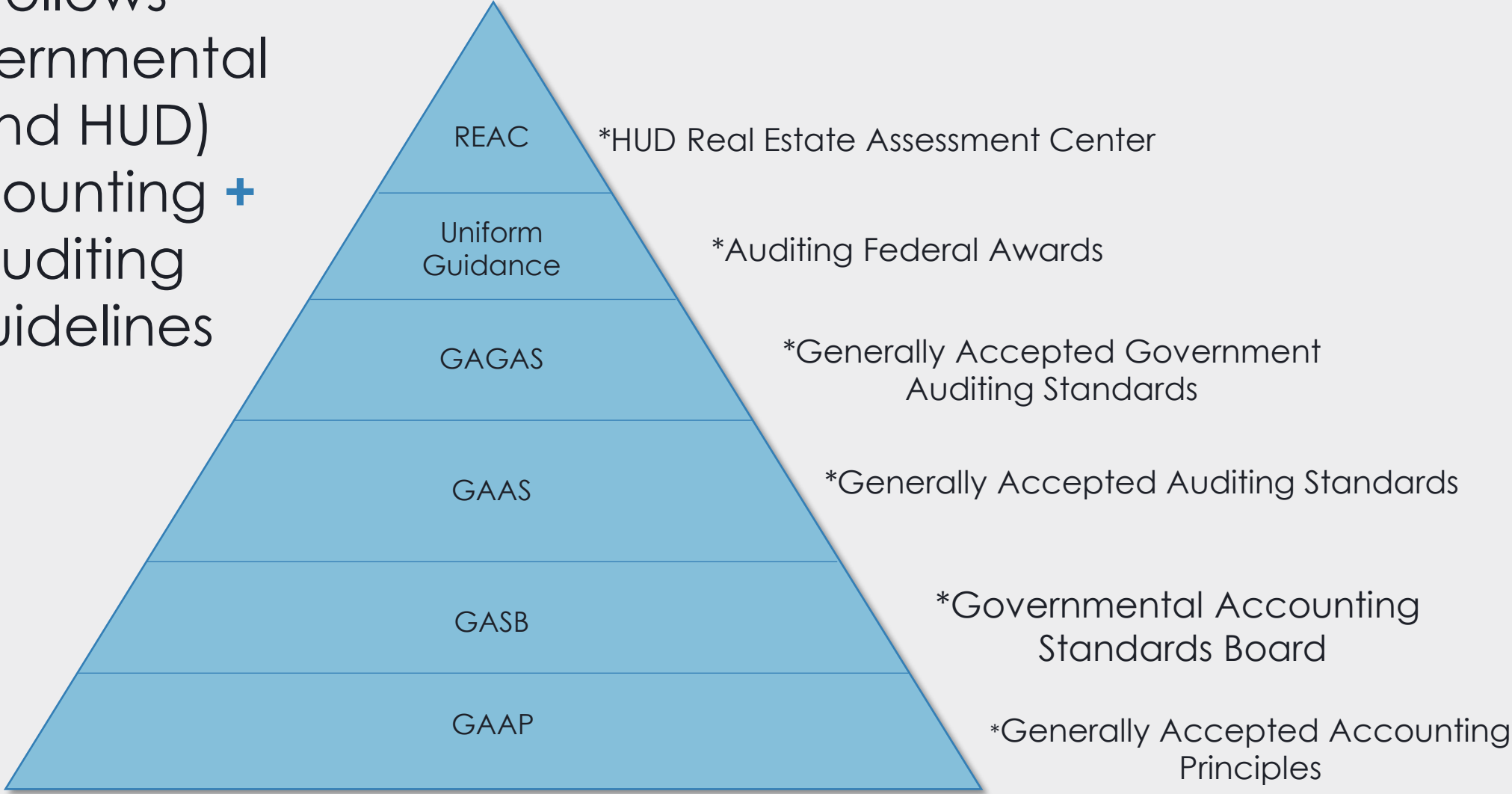


- 1  Introduction
- 2  12-month Period Ended **September 30, 2023**
- 3  Audit covers Financial as well as **Controls and Compliance**
- 4  Financial Includes All Programs as **One Opinion Unit** + DCU
- 5  HUD Real Estate Assessment Center ("REAC")

General Overview + Key Points



Follows
Governmental
(and HUD)
Accounting +
Auditing
Guidelines





OPINIONS + REPORTS



Three Levels of Audit Standards

LEVEL 1 – AICPA Audit Standards

- Normal Audit Standards

LEVEL 2 – Government Auditing Standards

- Taxpayer \$s
- Waste
- Abuse
- Reasonable & Necessary

LEVEL 3 – Uniform Guidance (Formerly OMB A-133)

- Federal Awards Compliance for Major Programs



TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT DISCUSSION AND ANALYSIS (Required Supplementary Information)	5
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	11
Statement of Revenues, Expenses and Changes in Net Position	12
Statement of Cash Flows	13
Notes to Basic Financial Statements	15
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in Proportional Share of Net Pension Liability - Last Ten Fiscal Years	46
Schedule of Contributions - Last Ten Fiscal Years	47
SUPPLEMENTARY INFORMATION	
Financial Data Schedule	49

SINGLE AUDIT SECTION

Schedule of Expenditures of Federal Awards	62
Notes to Schedule of Expenditures of Federal Awards	63
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 <i>Government Auditing Standards</i>	64
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	66
Schedule of Findings and Questioned Costs	69
Corrective Action Plan	72

Opinions + Reports

1. Auditor's Report – Qualified (not a clean opinion)

- Qualified Opinion - "except for" (pg. 1)

Qualified Opinion on the Business-Type Activities

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority, as of September 30, 2023, and the change in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matter Giving Rise to the Qualified Opinion on the Business-Type Activities

Accounting principles generally accepted in the United States of America require that new accounting standards be properly implemented. Management has not implemented the provisions of GASB 96, *Subscription-Based Information Technology Arrangements*. In addition, because of the inadequacy of the accounting records, we were not able to obtain a proper reconciliation of grant revenues and cash balances. The amount by which these departures would affect the assets, liabilities, net position, revenues and expenses of the Authority has not been determined.



Opinions + Reports

1. **Government Auditing Report** – modified
2. Financial related internal control or compliance issues noted (pg.65)

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 were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item **2023-001** that we consider to be a material weaknesses.



Opinions + Reports

1. Government Auditing Report – finding 2023-001

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Qualified**

Internal control over financial reporting:

Material weakness identified? **Yes (2023-001)**

Significant deficiency identified? **None reported**

Noncompliance material to financial statements noted? **Yes (2023-001)**



Opinions + Reports

2. Uniform Guidance Report pg. 66

- Not material Compliance on Federal Funds – HCV Eligibility

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 September 30, 2023.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-002. Our opinion on each major federal program is not modified with respect to these matters.



Opinions + Reports

2. **Uniform Guidance Report** pgs. 67 and 68

- Internal Control: Significant Deficiency Noted

Federal Awards

Internal control over major programs:

Material weakness identified? **No**

Significant deficiency identified? **Yes (2023-002)**

Type of auditor's report issued on compliance for major programs:

Housing Voucher Cluster - **Unmodified**

Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes (2023-002)



**NEED TO
KNOW**



Opinions + Reports

- 1** Management's Discussion and Analysis
- 2** Schedule of Expenditures of Federal Awards
- 3** Schedule of Findings and Questioned Costs



Schedule of Expenditures of Federal Awards

Jacksonville Housing Authority

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing #	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Public and Indian Housing	14.850	\$ 11,201,108
Subtotal Public and Indian Housing		
Housing Voucher Cluster:		
Section 8 Housing Choice Voucher Program	14.871	\$ 76,647,825
Mainstream Vouchers	14.879	883,772
Emergency Housing Voucher	14.871	<u>1,656,915</u>
Subtotal Housing Voucher Cluster		79,188,512
Section 8 Project-Based Cluster:		
Section 8 Moderate Rehabilitation	14.856	1,895,928
Section 8 Moderate Rehabilitation - SRO	14.249	<u>657,157</u>
Subtotal Section 8 Project-Based Cluster		2,553,085
Capital Fund Program	14.872	6,233,571
Resident Opportunity and Supportive Services	14.870	119,846
Public Housing Family Self Sufficiency	14.896	358,935
Jobs Plus Pilot Initiative	14.895	<u>659,991</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		<u><u>\$ 100,315,048</u></u>



Jacksonville Housing Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2023

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Qualified**

Internal control over financial reporting:

Material weakness identified? **Yes (2023-001)**

Significant deficiency identified? **None reported**

Noncompliance material to financial statements noted? **Yes (2023-001)**

Federal Awards

Internal control over major programs:

Material weakness identified? **No**

Significant deficiency identified? **Yes (2023-002)**

Type of auditor's report issued on compliance for major programs:

Housing Voucher Cluster - **Unmodified**

Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes (2023-002)

The programs tested as major programs are as follows:

Housing Voucher Cluster

The threshold for distinguishing types A and B programs was **\$3,000,000**

Did the auditee qualify as a low-risk auditee? **Yes**



Jacksonville Housing Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the year ended September 30, 2023

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

2023-001 Delayed Financial Close

*Material Weakness in Internal Control
Material Noncompliance*

Condition: During our audit of the Authority's financial statements, significant delays were noted in obtaining appropriate audit evidence which caused a delay in our audit procedures. Certain accounts had not been properly reconciled and corrective entries were not readily available. Significant audit support was not readily available when requested and closing procedures had not been performed timely. Complete audit procedures were not able to be performed as a result of these delays which resulted in a modified opinion in the auditors report in the basic financial statements. These items primarily consisted of grant revenue, cash, and implementation of subscription based licenses.

Context: We obtained the financial information from the Authority's general ledger system. As part of our audit process, the financial information was compared to the unaudited submission sent to the U.S. Department of Housing and Urban Development Real Estate Assessment Center ("REAC"). While applying audit procedures, significant audit support identified as necessary was not readily available and complete audit procedures could not be performed.

Criteria: In accordance with AU-C 265, when a deficiency or a combination of deficiencies in internal control is identified, which indicates that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis, a material weakness should be reported. In accordance with HUD rules and regulations, the Authority is required to have policies and procedures in place to ensure a timely and accurate financial close. AICPA audit standards state that a modified opinion is required when complete audit procedures cannot be performed or audit areas are not accurate.

Cause: The Authority was unable to maintain proper oversight of its financial closing processes and recording keeping due to numerous staffing changes. In addition new GASB statements were not properly implemented. As a result the Authority did not have the staff in order to perform a timely and accurate financial close.

Effect: The necessary support required for our audit procedures was not readily available, and therefore certain audit procedures could not be completed.

Auditor's Recommendations: The Authority should consider additional management and staff to enable the implementation internal controls over both internal and external reporting, and the year-end close process to ensure reporting remains accurate and timely, with any unexpected financial data being investigated and corrected before it is reported.

Management Response: See Corrective Action Plan.

Opinions + Reports



Jacksonville Housing Authority
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the year ended September 30, 2023

Opinions + Reports

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARD PROGRAMS

2023-002 Eligibility

Housing Voucher Cluster

Significant Deficiency in Internal Control

Other Matter Required to be report under 2 CFR 200.516(a)

Condition: During our testing it was noted that certain deficiencies existed in the tenant recertification process to calculate total tenant payments and other verification items required by HUD. In addition, the internal quality control review performed by Authority staff identified significant improvement needed in multiple areas.

Criteria: The Authority's Administrative Plan and 24 CFR 982.516 requires internal controls to be in place to ensure proper procedures are being followed in compliance with HUD requirements regarding timely, complete and accurate tenant files.

Context: The auditor randomly selected 41 tenant files out of the population, which we consider to be a statistically valid sample size. The auditor reviewed the tenant files and support to ensure that proper procedures are being followed and that the Authority is in compliance with HUD requirements regarding timely, complete, and accurate tenant files.

Cause: The Authority experienced staffing and operational challenges and did not have the available staff to follow the established internal controls to ensure proper compliance with regards to timely recertifications and collection of required HUD documentation to verify eligibility and calculate accurate housing assistance payments.

Effect: The Authority is not in compliance with HUD requirements regarding eligibility which could result in the incorrect amount of rental assistance provided.

Questioned Costs: Unknown.

Auditor Recommendations: The Authority should evaluate and change their established procedures and controls in place to ensure full compliance in regards to eligibility of recertifications. The Authority needs to correct the deficiencies noted in the internal quality control sample and consider the impact to the rest of the population of tenant files that were not selected as part of the sample.

Management Response: See Corrective Action Plan.

D. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None.



GOVERNANCE COMMUNICATION



Governance Communication

Significant Accounting Policies are Listed in Note A

- Useful lives of Capital assets
- Compensated Absences, GASB 101

1



No Difficulties in dealing with (current) management but numerous difficulties forming a clean opinion.

3



Corrected and Uncorrected, Reclassifications

- We had items to be corrected that were material and had a modified opinion.

5



No Disagreements with Managements

2



Accounting Estimates Include:

- Allowance on receivables
- Useful lives for depreciation
- Current portion of compensated absences

4



FINANCIAL HIGHLIGHTS



Financial Highlights

	<u>Net position</u> (in thousands of dollars)		
	2023	2022	Net change
Current assets	\$ 48,263	\$ 52,666	\$ (4,403)
Capital assets, net	83,042	72,597	10,445
Other noncurrent assets	5,285	7,307	(2,022)
Total assets	136,590	132,570	4,020
Deferred outflows of resources	6,561	3,221	3,340
Current liabilities	3,815	3,745	70
Long-term debt	1,205	1,553	(348)
Net pension liability	24,875	18,621	6,254
Other noncurrent liabilities	6,630	6,684	(54)
Total liabilities	36,525	30,603	5,922
Deferred inflows of resources	3,889	6,386	(2,497)
Net investment in capital assets	81,490	70,711	10,779
Restricted net position	998	1,588	(590)
Unrestricted net position	20,249	26,503	(6,254)
Total net position	\$ 102,737	\$ 98,802	\$ 3,935



Financial Highlights

1. Cash and cash equivalents – decrease of \$ 11,485,894 from 2022

2023

NET DECREASE IN CASH	(11,485,894)
Cash at beginning of the year	52,430,249
CASH AT END OF THE YEAR	<u>\$ 40,944,355</u>
AS PRESENTED ON THE ACCOMPANYING STATEMENT OF NET POSITION	
Cash - unrestricted	\$ 37,419,558
Cash - restricted - current	2,779,468
Cash - restricted - noncurrent	745,329
	<u>\$ 40,944,355</u>



Financial Highlights

2. Positive Net Position \$102.74m consisting of:
- Capital – Fixed Assets \$81.49m
 - Unrestricted \$20.25m (GASB vs HUD)
 - Restricted \$1m for development

<i>NET POSITION</i>		
NET POSITION		
Net investment in capital assets	81,489,609	22,204,021
Restricted	998,458	1,656,038
Unrestricted	20,249,009	(765,998)
	<hr/>	<hr/>
Total net position	<u><u>\$ 102,737,076</u></u>	<u><u>\$ 23,094,061</u></u>



Changes in Net position
(in thousands of dollars)

	2023	2022	Net change
Operating revenue			
HUD revenue	\$ 96,244	\$ 88,073	\$ 8,171
Other revenue	11,879	10,854	1,025
Total operating revenue	108,123	98,927	9,196
Operating expenses			
Housing assistance payments	75,582	66,006	9,576
Depreciation	3,782	3,541	241
Administrative	12,321	10,366	1,955
Tenant services	2,331	1,314	1,017
Utilities	1,896	1,959	(63)
Maintenance	9,520	9,214	306
Protective services	630	690	(60)
General	2,902	2,487	415
Total operating expenses	108,964	95,577	13,387
Operating (loss) income	(841)	3,350	(4,191)
Non-operating revenues (expenses)			
Grant revenue	-	44	(44)
Loss on disposal of capital assets	-	(16)	16
Interest income	780	74	706
Interest expense	(75)	(89)	14
Total non-operating revenues (expenses)	705	13	692
Change in net position before capital contributions	(136)	3,363	(3,499)
Capital contributions	4,071	449	3,622
Change in net position	3,935	3,812	123
Total net position - beginning	98,802	94,990	3,812
Total net position - ending	\$ 102,737	\$ 98,802	\$ 3,935

Financial Highlights



FINDINGS - FEDERAL AWARD PROGRAMS AUDIT

2023-002 Eligibility

Housing Voucher Cluster

Significant Deficiency in Internal Control

Other Matter Required to be report under 2 CFR 200.516(a)

Condition: During our testing it was noted that certain deficiencies existed in the tenant recertification process to calculate total tenant payments and other verification items required by HUD. In addition, the internal quality control review performed by Authority staff identified significant improvement needed in multiple areas.

Auditor Recommendations: The Authority should evaluate and change their established procedures and controls in place to ensure full compliance regarding eligibility of recertifications. The Authority needs to correct the deficiencies noted in the internal quality control sample and consider the impact on the rest of the population of tenant files that were not selected as part of the sample.

Action Taken:

The finding identified in the sample is consistent with the Section Eight Management Assessment Program (SEMAP) score submitted at the end of Fiscal Year 22-23. JHA did not claim any points under the Adjusted Income indicator. Consistent with the corrective action plan, JHA's HCV staff has undergone extensive training. During April 2024, HCV staff received training through Nan McKay in the following areas:

Significant Highlights for 2023



**Modified opinion
and 2 Findings for
the Current Year**



**HAP Payments up
\$9.5m, and HUD
revenue up \$8m.**



**Increase in Net
Position \$4m,
ending at \$103m.**



**Cash is down
\$11.5m, ending at
\$41m.**



**Federal Funds
over \$100 Million**



Key Items to Keep In Mind
Balances are as of and for 9/30/23



**Continued capital activity
during the year.**



QUESTION & ANSWER

Brian Nemeroff, CPA
Thank you!

