

**GAINESVILLE HOUSING  
AUTHORITY**

**Basic Financial Statements  
and Supplemental  
Information**

**Year ended  
March 31, 2012**

**BERMAN HOPKINS  
WRIGHT & LAHAM**  
**CPAS AND ASSOCIATES, LLP**



## TABLE OF CONTENTS

|   | Page |
|---|------|
| INDEPENDENT AUDITORS' REPORT  | 1    |
| MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)   | 3    |
| BASIC FINANCIAL STATEMENTS  |      |
| Balance Sheet   | 8    |
| Statement of Revenues, Expenses and Changes in Net Assets   | 9    |
| Statement of Cash Flows   | 10   |
| Notes to Basic Financial Statements   | 12   |
| SUPPLEMENTAL INFORMATION  |      |
| Financial Data Schedule   | 28   |
| Schedules of Actual Program Costs and Advances  | 33   |
| SINGLE AUDIT SECTION  |      |
| Schedule of Expenditures of Federal Awards  | 37   |
| 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> | 38   |
| 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             | 40   |
| Schedule of Findings and Questioned Costs   | 43   |
| Summary Schedule of Prior Year Audit Findings   | 53   |
| Corrective Action Plan  | 63   |



# BERMAN HOPKINS WRIGHT & LAHAM

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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Gainesville Housing Authority  
Gainesville, Florida

We have audited the accompanying financial statements of the business-type activities of the Gainesville Housing Authority (the "Authority"), as of and for the year ended March 31, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of March 31, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2012, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As discussed in Note B-12 to the financial statements, certain errors were discovered by management of the Authority during the current year regarding prior year capital asset balances and, accordingly, adjustments have been made to beginning balance of capital assets and net assets to correct these errors.



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements as a whole. The accompanying financial data schedule and schedules of actual program costs and advances are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development, and are not a required part of the financial statements of the Authority. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of the Authority. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

November 21, 2012  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*





## Management's Discussion and Analysis

As management of the Gainesville Housing Authority ("GHA" or the "Authority"), we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the year ended March 31, 2012. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Pamela E. Davis, Gainesville Housing Authority, 1900 Southeast 4<sup>th</sup> Street, Gainesville, Florida 32641.

### Financial Highlights

- The assets of GHA exceeded its liabilities as of March 31, 2012, by \$8,821,500 (net assets).
- GHA's cash and cash equivalents balances as of March 31, 2012, were \$2,772,251.
- GHA had revenue from the U.S. Department of Housing and Urban Development ("HUD") of \$13,156,483, which includes funds for capital asset activities.

### Overview of Financial Statements

The financial statements included in this annual report are those of a special-purpose government engaged in a single business-type activity prepared on an accrual basis. Over time, significant changes in GHA's net assets serve as a useful indicator of whether its financial health is improving or deteriorating. To fully assess the financial health of any authority, the reader must also consider other non-financial factors such as changes in family composition, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of capital assets. The following statements are included:

- Balance Sheet - reports the Authority's assets, liabilities and net assets at the end of the fiscal year. You can think of the Authority's net assets as the difference between what the Authority owns (assets) and what the Authority owes (liabilities).
- Statement of Revenues, Expenses, and Changes in Net Assets - this statement presents information showing how the Authority's net assets increased or decreased during the current fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will result in cash inflows and cash outflows in prior or future periods.
- Statement of Cash Flows - this statement presents information showing the total cash receipts and cash disbursements of the Authority during the current fiscal year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e. capital additions, debt service, prior period obligations, etc.). In addition, the statement reflects the receipt of cash that was obligated to the Authority in prior periods and subsequently received during the current fiscal year (i.e. accounts receivable, notes receivable etc.).
- Notes to the Basic Financial Statements - notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Authority may face.



## Overview of Financial Statement (continued)

In addition to the basic financial statements listed above, our report includes supplemental information. This information is to provide more detail on the Authority's various programs and the required information mandated by regulatory bodies that fund the Authority's various programs.

### Financial Analysis

|                                  | <u>Balance Sheet</u> |                      |                     |
|----------------------------------|----------------------|----------------------|---------------------|
|                                  | <u>2012</u>          | <u>2011</u>          | <u>Net Change</u>   |
| Current assets                   | \$ 3,153,726         | \$ 3,097,741         | \$ 55,985           |
| Capital assets, net              | 7,380,045            | 7,697,719            | (317,674)           |
| Other noncurrent assets          | 33,095               | 123,714              | (90,619)            |
| Total assets                     | <u>\$ 10,566,866</u> | <u>\$ 10,919,174</u> | <u>\$ (352,308)</u> |
| Current liabilities              | \$ 1,682,883         | \$ 926,331           | \$ 756,552          |
| Long-term debt                   | -                    | 1,223,164            | (1,223,164)         |
| Other noncurrent liabilities     | 62,483               | 47,445               | 15,038              |
| Total liabilities                | <u>1,745,366</u>     | <u>2,196,940</u>     | <u>(451,574)</u>    |
| Invested in capital assets, net  | 6,155,615            | 6,426,095            | (270,480)           |
| Restricted net assets            | 230,283              | 473,093              | (242,810)           |
| Unrestricted net assets          | 2,435,602            | 1,823,046            | 612,556             |
| Total net assets                 | <u>8,821,500</u>     | <u>8,722,234</u>     | <u>99,266</u>       |
| Total liabilities and net assets | <u>\$ 10,566,866</u> | <u>\$ 10,919,174</u> | <u>\$ (352,308)</u> |

**Net Capital Assets** decreased by \$317,674 due to purchases of fixed assets being offset by the current year depreciation expense.

**Other Noncurrent Assets** decreased by \$90,619 due to the write-off of an outstanding deposit in the current year.

**Current Liabilities** increased by \$756,552 primarily due to the reclassification of the long-term debt to a current liability. This increase was offset by the decrease in accounts payable due to the decrease in capital fund projects during the year.

**Long-term Debt** was reclassified to a current liability during the year, due to the maturity date.

**Net Assets** - The difference between an organization's assets and its liabilities is its net assets. Net assets are categorized as one of three types.

1. Invested in capital assets, net of related debt - capital assets, net of accumulated depreciation and related debt is due to the capital asset and long-term debt activity which resulted in a current year decrease of \$270,480.
2. Restricted - the Authority's net assets whose use is subject to constraints imposed by law or agreement consisting primarily of housing assistance reserves. As of March 31, 2012, the Authority had \$230,283 of funds reserved as restricted net assets which represents a decrease of \$242,810 over the prior year. This decrease is primarily due to the shortfall in HAP and the need for the Authority to make these payments from restricted cash reserves that were being held. The Authority is required by HUD to track program restricted net assets, which are subject to possible recapture.



3. Unrestricted - the Authority's net assets that are neither invested in capital assets nor restricted, which change principally due to operations. These resources are available to meet the Authority's ongoing obligations to its residents and creditors. The Authority has \$2,435,602 in unrestricted net assets. The Authority's net assets are designated for housing purposes.

Change in Net Assets

|  | <u>2012</u>         | <u>2011</u>         | <u>Net Change</u>  |
|--|---------------------|---------------------|--------------------|
| Operating revenues                                   |                     |                     |                    |
| HUD revenues   | \$ 13,054,246       | \$ 13,639,256       | \$ (585,010)       |
| Tenant revenue, net                                  | 1,724,124           | 1,533,300           | 190,824            |
| Fraud recovery                                       | 11,894              | 25,465              | (13,571)           |
| Other revenue  | 115,372             | 149,762             | (34,390)           |
| Total operating revenues                             | <u>14,905,636</u>   | <u>15,347,783</u>   | <u>(442,147)</u>   |
| Operating expenses                                   |                     |                     |                    |
| Administrative                                       | 1,822,308           | 1,666,787           | 155,521            |
| Tenant services                                      | 171,689             | 176,692             | (5,003)            |
| Utilities  | 1,203,643           | 1,378,171           | (174,528)          |
| Maintenance  | 1,586,834           | 2,322,212           | (735,378)          |
| Protective services                                  | 66,862              | 81,074              | (14,212)           |
| Insurance  | 299,979             | 333,130             | (33,151)           |
| General  | 279,188             | 362,735             | (83,547)           |
| Depreciation   | 458,561             | 660,060             | (201,499)          |
| Housing assistance payments                          | 8,861,601           | 10,274,380          | (1,412,779)        |
| Total operating expenses                             | <u>14,750,665</u>   | <u>17,255,241</u>   | <u>(2,504,576)</u> |
| Operating income (loss)                              | <u>154,971</u>      | <u>(1,907,458)</u>  | <u>2,062,429</u>   |
| Nonoperating revenues (expenses)                     |                     |                     |                    |
| Interest income - unrestricted                       | 4,947               | 5,617               | (670)              |
| Interest income - restricted                         | 671                 | 1,793               | (1,122)            |
| Interest expense                                     | (81,451)            | (85,016)            | 3,565              |
| Total nonoperating revenues<br>(expenses)            | <u>(75,833)</u>     | <u>(77,606)</u>     | <u>1,773</u>       |
| Change in net assets before<br>capital contributions | 79,138              | (1,985,064)         | 2,064,202          |
| Capital contributions                                |                     |                     |                    |
| HUD capital grants                                   | 102,237             | 2,036,547           | (1,934,310)        |
| Change in net assets                                 | <u>181,375</u>      | <u>51,483</u>       | <u>129,892</u>     |
| Total net assets - beginning                         | 8,722,234           | 9,232,016           | (509,782)          |
| Prior period adjustment                              | (82,109)            | (561,265)           | 479,156            |
| Total net assets - beginning, restated               | <u>8,640,125</u>    | <u>8,670,751</u>    | <u>(30,626)</u>    |
| Total net assets - ending                            | <u>\$ 8,821,500</u> | <u>\$ 8,722,234</u> | <u>\$ 99,266</u>   |

**Total HUD Revenue** (including Capital Grants) decreased by \$2,519,320, primarily due to the decrease in funding received for CFRG and the reduced capital fund activity.



**Tenant revenue** increased 12% over FYE 2011. This is attributed to adjustments that have been made in the Public Housing department. Tenant recertifications are being completed yearly and the Authority has also implemented the use of recertification tools, such as the use of the Enterprise Income Verification program. Due to these adjustments tenant recertifications are based on more accurate information.

**Operating Expenses** are categorized by GHA as administrative, tenant services, utilities, maintenance, protective services, insurance, general, depreciation and housing assistance payments.

**Total Operating Expenses** decreased by \$2,504,576 during the year ended March 31, 2012. The changes in total operating expenses are due to:

- Housing assistance payments decreased by \$1,412,779 due to a reduction to an 80% payment standard of all voucher programs. In FYE 2011, the Authority over-issued vouchers which resulted in a short-fall of funds in FYE 2012. The Authority received regulatory approval to reduce the payment standard to 80% of the published fair market rents in July 2011. This decrease in payment standard was applied to all Section 8 Housing Choice Voucher participants regardless of recertification date.
- Maintenance expense decreased by \$735,378 primarily due to a focus on bringing most contract work in-house and the reduction of major renovation projects due to the completion of the Capital Fund Recovery Grant.
- Administrative expenses increased \$155,521 due to an increase of \$82,380 in legal fees. These were related to the cancellation of the interlocal agreement with Alachua County Housing Authority, increased tenant evictions and the Section 8 shortfall. Other matters that contributed to the increase in administrative expenses were a search committee for a new Executive Director; payout of the Deputy Director position and the salary and benefits of the new Director. The prior agreement was a contract expenses rather than a salary/benefit expense.
- Utility expenses decreased due to the lack of major capital fund projects and therefore a related decrease in utilities used by the Authority.

**Prior Period Adjustment** it was determined that capital assets carried on the books in the amount of \$82,109 should not have been recorded in prior years. To correct this error, the beginning net assets on the Statement of Revenues, Expenses and Changes in Net Assets have been decreased by \$82,109.

#### **Capital Asset and Debt Activity**

At the end of the fiscal year 2012, the investment in the Authority's net capital assets decreased by \$317,674. The net change was due primarily to the purchases of fixed assets that was offset by depreciation expense of \$458,561.

At the end of the fiscal year 2012, the Authority had current debt of \$1,224,430. The mortgage on the Authority's Multi-Family property matured on August 25, 2012, however a 90 day extension was granted to the Authority. No new debt was issued during the fiscal year 2012.





### **Factors Affecting Next Year's Budget**

The Authority is primarily dependent upon HUD for the funding of its Low Rent Public Housing, Housing Choice Voucher and Capital Fund programs; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected under HUD's model of Asset Management which requires public housing sites to operate independently in a decentralized model.

### **Economic Factors**

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, housing costs, supplies and other costs
- Current trends in the housing market
- Decreased income by tenants and participants in the Section 8 program.
- Vacancy rates.



Gainesville Housing Authority

BALANCE SHEET

March 31, 2012

**ASSETS**

**CURRENT ASSETS**

|  |                  |
|--|------------------|
| Cash and cash equivalents - unrestricted | \$ 2,389,257     |
| Cash and cash equivalents - restricted   | 382,994          |
| Investments - unrestricted               | 112,268          |
| Receivables, net                         | 135,392          |
| Prepaid expenses                         | 77,653           |
| Inventory, net                           | 56,162           |
| Total current assets                     | <u>3,153,726</u> |

**NONCURRENT ASSETS**

|                     |                      |
|---------------------|----------------------|
| Capital assets, net | 7,380,045            |
| Other assets        | 33,095               |
| Total assets        | <u>\$ 10,566,866</u> |

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

|                                   |                  |
|-----------------------------------|------------------|
| Current portion of long-term debt | \$ 1,224,430     |
| Accounts payable                  | 26,968           |
| Accrued salaries                  | 59,979           |
| Accrued interest payable          | 1,262            |
| Accrued compensated absences      | 25,712           |
| Accrued payments in lieu of taxes | 93,760           |
| Tenant security deposits          | 152,711          |
| Deferred revenue                  | 7,919            |
| Other current liabilities         | 90,142           |
| Total current liabilities         | <u>1,682,883</u> |

**NONCURRENT LIABILITIES**

|                              |                  |
|------------------------------|------------------|
| Accrued compensated absences | 62,483           |
| Total liabilities            | <u>1,745,366</u> |

**NET ASSETS**

|   |                      |
|---|----------------------|
| Invested in capital assets, net of related debt | 6,155,615            |
| Restricted net assets                           | 230,283              |
| Unrestricted net assets                         | 2,435,602            |
| Total net assets                                | <u>8,821,500</u>     |
| Total liabilities and net assets                | <u>\$ 10,566,866</u> |

The accompanying notes are an integral part of this financial statement.



**Gainesville Housing Authority**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

Year ended March 31, 2012

|   |                            |
|---|----------------------------|
| <b>OPERATING REVENUES</b>                         |                            |
| HUD operating revenues                            | \$ 13,054,246              |
| Tenant revenue, net                               | 1,724,124                  |
| Fraud recovery                                    | 11,894                     |
| Other revenue                                     | 115,372                    |
| Total operating revenues                          | <u>14,905,636</u>          |
| <b>OPERATING EXPENSES</b>                         |                            |
| Administrative                                    | 1,822,308                  |
| Tenant services                                   | 171,689                    |
| Utilities   | 1,203,643                  |
| Maintenance                                       | 1,586,834                  |
| Protective services                               | 66,862                     |
| Insurance   | 299,979                    |
| General   | 279,188                    |
| Depreciation                                      | 458,561                    |
| Housing assistance payments                       | 8,861,601                  |
| Total operating expenses                          | <u>14,750,665</u>          |
| <b>OPERATING INCOME</b>                           | <u>154,971</u>             |
| <b>NONOPERATING REVENUES (EXPENSES)</b>           |                            |
| Interest income - unrestricted                    | 4,947                      |
| Interest income - restricted                      | 671                        |
| Interest expense                                  | (81,451)                   |
| Total nonoperating revenues (expenses)            | <u>(75,833)</u>            |
| Change in net assets before capital contributions | 79,138                     |
| <b>CAPITAL CONTRIBUTIONS</b>                      |                            |
| HUD capital grants                                | <u>102,237</u>             |
| Change in net assets                              | <u>181,375</u>             |
| Total net assets - beginning                      | 8,722,234                  |
| Prior period adjustment (See Note B-12)           | <u>(82,109)</u>            |
| Total net assets - beginning, restated            | <u>8,640,125</u>           |
| Total net assets - ending                         | <u><u>\$ 8,821,500</u></u> |

The accompanying notes are an integral part of this financial statement.



Gainesville Housing Authority

STATEMENT OF CASH FLOWS

Year ended March 31, 2012

**CASH FLOWS FROM OPERATING ACTIVITIES**

|   |                |
|---|----------------|
| HUD operating grants received             | \$ 13,141,374  |
| Collections from tenants                  | 1,757,025      |
| Collections from other sources            | 127,266        |
| Payments to employees                     | (1,898,463)    |
| Payments to suppliers                     | (3,903,210)    |
| Housing assistance payments               | (8,861,601)    |
| Net cash provided by operating activities | <u>362,391</u> |

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

|   |                  |
|---|------------------|
| HUD capital grants received                               | 213,522          |
| Payments on long-term debt                                | (47,194)         |
| Purchase of property and equipment                        | (222,996)        |
| Interest paid   | (81,501)         |
| Net cash used in capital and related financing activities | <u>(138,169)</u> |

**CASH FLOWS FROM INVESTING ACTIVITIES**

|   |                |
|---|----------------|
| Sale of investments                       | 633,746        |
| Interest received                         | 5,618          |
| Net cash provided by investing activities | <u>639,364</u> |

**NET INCREASE IN CASH**

|  |                     |
|--|---------------------|
| Cash and cash equivalents at beginning of year | <u>1,908,665</u>    |
| Cash and cash equivalents at end of year       | <u>\$ 2,772,251</u> |

**AS PRESENTED IN THE ACCOMPANYING BALANCE SHEET:**

|  |                     |
|--|---------------------|
| Cash and cash equivalents - unrestricted | \$ 2,389,257        |
| Cash and cash equivalents - restricted   | 382,994             |
|  | <u>\$ 2,772,251</u> |

The accompanying notes are an integral part of this financial statement.





Gainesville Housing Authority

STATEMENT OF CASH FLOWS (continued)

Year ended March 31, 2012

| RECONCILIATION OF OPERATING INCOME TO NET<br>CASH PROVIDED BY OPERATING ACTIVITIES         |                   |
|--|-------------------|
| Operating income   | \$ 154,971        |
| Adjustments to reconcile operating income to<br>net cash provided by operating activities: |                   |
| Depreciation   | 458,561           |
| Provision for bad debt   | 53,741            |
| (Increase) decrease in assets:   |                   |
| Receivables, net   | 56,909            |
| Prepaid expenses   | (77,653)          |
| Inventory, net   | 29,573            |
| Other assets   | 90,619            |
| Increase (decrease) in liabilities:  |                   |
| Accounts payable   | (470,128)         |
| Accrued salaries   | 15,288            |
| Accrued compensated absences   | (14,947)          |
| Accrued payments in lieu of taxes  | (34,010)          |
| Tenant security deposits   | 3,307             |
| Deferred revenue   | 6,072             |
| Other current liabilities  | 90,088            |
| Net cash provided by operating activities  | <u>\$ 362,391</u> |

The accompanying notes are an integral part of this financial statement.



## Gainesville Housing Authority

### NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2012

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

The Gainesville Housing Authority (the "Authority") is a public body corporate and politic pursuant to the Chapter 421 Laws of the State of Florida which was organized to provide low-rent housing for qualified individuals in accordance with laws, rules and regulations prescribed by the United States Department of Housing and Urban Development ("HUD"). The primary purpose of the Authority is to provide safe and affordable housing to low income, elderly and disabled families within Gainesville, Florida.

The Authority's governing board consists of a five member Board of Commissioners (the "Board"), which is appointed by the Mayor of the City for a term of four years. The Authority is not a component unit of the City, as defined in Governmental Accounting Standards Board Statement No. 14, as amended, *The Reporting Entity*, ("GASB No. 14") as the Board independently oversees the Authority's operations.

The definition of the reporting entity as defined by GASB No. 14, as amended, is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based on the above criteria management has determined that no component units exist as of March 31, 2012.

2. Government-wide and fund financial statements

The government-wide financial statements report information about the reporting government as a whole excluding fiduciary activities. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities rely to a significant extent on user fees and charges for support.

Governments use fund accounting, whereby funds are organized into three major categories: governmental, proprietary and fiduciary. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses.



## Gainesville Housing Authority

### NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2012

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 2. Government-wide and fund financial statements (continued)

For financial reporting purposes, the Authority reports all of its operations as a single business activity in a single enterprise fund. Therefore, the government-wide and the fund financial statements are the same.

Enterprise funds are proprietary funds. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating activities generally arise from providing services in connection with a proprietary fund's principal activity. The operating revenues of the Authority consist primarily of rental charges to tenants and operating grants from HUD and include, to a lesser extent, certain operating amounts of capital grants that offset operating expenses.

Operating expenses for the Authority include the cost of tenant services, general, administrative, maintenance, utilities, protective services, depreciation and housing assistance payments. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, except for capital contributions, which are presented separately.

When restricted resources meet the criteria to be available for use and unrestricted resources are also available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources, as needed.

##### 3. Measurement focus and basis of accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. The proprietary fund utilizes an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The basis of accounting used is similar to businesses in the private sector, thus, these funds are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.



**Gainesville Housing Authority**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**March 31, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

3. Measurement focus and basis of accounting (continued)

For financial reporting purposes, the Authority considers its HUD grants associated with operations as operating revenue because these funds more closely represent revenues generated from operating activities rather than nonoperating activities. HUD grants associated with capital acquisition and improvements are considered capital contributions and are presented after nonoperating activity on the accompanying statement of revenues, expenses and changes in net assets. As provided by GASB No. 34 and related guidance, tenant revenue is reported net of \$53,741 in accounts written off.

4. Summary of programs

The accompanying basic financial statements include the activities of several housing programs of the Authority. A summary of each significant program is provided below.

*Low Rent Public Housing Programs*

The Low Rent Public Housing Programs include the following: asset management projects ("AMPs") which collect operating subsidy, Public Housing Capital Fund, Public Housing Capital Fund Stimulus (Formula) Recovery Act Program, and various other related HUD grants.

The purpose of the public housing program is to provide decent and affordable housing to low-income families at reduced rents. The developments are owned, maintained and managed by the Authority. The developments/units are acquired, developed and modernized under HUD's Development and Capital Fund programs.

Funding of the program operations and development is provided by federal annual contributions, operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition and other allowances).

*Resident Opportunity and Supportive Services Program (ROSS)*

The Authority provides supportive services to its elderly and disabled housing residents in order to enhance their quality of life and to enable residents to maintain their independence as long as possible. Services include a wellness program, transportation, congregate meals, housekeeping aid, employment assistance, recreational activities and case management.





## Gainesville Housing Authority

### NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2012

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4. Summary of programs (continued)

###### *Shelter Plus Care Program*

The Shelter Plus Care Program provides rental assistance for hard-to-serve homeless persons with disabilities in connection with supportive services funded from sources outside the program. The Authority serves as the grant recipient. Meridian and VETSPACE, Inc. serve as the non-profit sponsor. The Authority manages the rental assistance for program participants. Meridian and VETSPACE, Inc. coordinate all clinical and case management functions. Case management and support services for homeless veterans are provided by the Department of Veterans Affairs Medical Center ("VA"). Based on the service agreement, up to 10% of the participants may be non-veterans who are homeless and disabled. These individuals are provided supportive services/case management by the referring agency/organization.

###### *Central Office Cost Center*

The Central Office Cost Center ("COCC") is a business unit within the Authority that generates revenue through fee for service from the Authority's AMPs, programs and activities.

###### *Housing Assistance Payments ("HAP") Programs*

HAP Programs utilize existing privately owned family rental housing units to provide decent and affordable housing to low-income families. The Section 8 Housing Choice Voucher program ("HCV"), Veterans Affairs Supportive Housing program ("VASH") and Section 8 New Construction program ("S8NC") are funded through federal housing assistance contributions from HUD for the difference between the approved landlord contract rent and the rent paid by the tenants.

##### 5. Assets, liabilities and net assets

###### *a. Cash, cash equivalents and investments*

For purposes of the statement of cash flows, the Authority considers all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents.

Investment instruments consist only of items specifically approved for public housing agencies by HUD. Investments are either insured or collateralized using the dedicated method. Under the dedicated method of collateralization, all deposits and investments over the federal depository insurance coverage are collateralized with securities held by the Authority's agent in the Authority's name. It is the Authority's policy that all funds on deposit are collateralized in accordance with both HUD requirements and laws of the State of Florida.



Gainesville Housing Authority

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net assets (continued)

b. *Receivables, net*

Receivables, net, consist of revenues earned during the fiscal year and not yet received. Amounts due from HUD represent reimbursable expenses or grant subsidies earned that have not been collected as of March 31, 2012. As of March 31, 2012, there is an allowance for uncollectible amounts for tenant receivables in the amount of \$11,878. Allowances are determined by management based on the specific accounts and prior experience.

c. *Inventory, net*

Inventory, net, consists principally of materials held for use or consumption and is recorded on the first-in, first-out ("FIFO") method. If inventory falls below cost due to damage, deterioration or obsolescence, the Authority establishes an allowance for obsolete inventory. Based on management's experience with the types of items in inventory and related usage plans, an allowance for obsolescence of \$9,911 is recorded as of March 31, 2012.

d. *Capital assets, net*

The Authority's policy is to capitalize assets with a value in excess of \$1,000. The Authority capitalizes the costs of site acquisition and improvement, structures, infrastructure, equipment and direct development costs meeting the capitalization policy. Routine repairs and maintenance are charged against operations. Assets are valued at historical cost, or estimated historical cost if actual historical cost is not available, and contributed assets are valued at fair market value on the date contributed. When assets are disposed of the related cost and accumulated depreciation are relieved and any gain or loss is included in operations.

Depreciation has been provided using the straight-line method over the estimated useful lives, which are as follows:

|   |          |
|---|----------|
| Buildings                               | 27 years |
| Building improvements                   | 10 years |
| Equipment - dwelling and administrative | 5 years  |



**Gainesville Housing Authority**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**March 31, 2012**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

5. Assets, liabilities and net assets (continued)

e. *Tenant security deposits*

Tenant security deposits are deposits held by the Authority that are required of tenants before they are allowed to move into an Authority owned site. The Authority records this restricted cash as a liability, as this is money that is reimbursable to the tenant when they move out.

f. *Accrued compensated absences*

Compensated absences are those absences for which employees will be paid, such as vacation and sick leave, computed in accordance with GASB Statement No. 16. A liability for compensated absences, that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place.

g. *Eliminations*

For financial reporting purposes, certain amounts are internal and are therefore eliminated. The following have been eliminated from the financial statements:

i.) *Interprogram due to/from*

In the normal course of operations, certain programs pay for common costs that create interprogram receivables or payables. The interprogram receivables and payables net to zero and are eliminated for the presentation of the Authority as a whole. As of March 31, 2012, \$130,222 was eliminated.

ii.) *Fee for service*

The Authority's COCC internally charges fees to the AMPs and programs of the Authority. These charges may include management fees, bookkeeping fees and asset management fees. For financial reporting purposes \$956,356 of fees for service charges have been eliminated for the year ended March 31, 2012.



Gainesville Housing Authority

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Assets, liabilities and net assets (continued)

*h. Net assets*

In accordance with GASB No. 34, total equity as of March 31, 2012, is classified into three components of net assets:

*i.) Invested in capital assets, net of related debt*

This category consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction and improvements of those assets.

*ii.) Restricted net assets*

This category consists of net assets restricted in their use by (1) external groups such as grantors, creditors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The balance sheet of the Authority reports \$230,283 of restricted net assets which consists of unspent HAP reserves in the amount of \$101,047 and claimants compensation reserves in the amount of \$93,056 and \$36,180 for Public Housing and Section 8 New Construction, respectively.

*iii.) Unrestricted net assets*

This category includes all of the remaining net assets that do not meet the definition of the other two categories.

6. Application of FASB standards

GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, offers the option of following all Financial Accounting Standards Board ("FASB") standards issued after November 30, 1989, unless the latter conflicts with or contradicts GASB pronouncements, or not following FASB standards issued after such date. The Authority elected the option to not follow FASB standards issued after November 30, 1989.

7. Budgets

Budgets are prepared on an annual basis for each major program and are used as a management tool throughout the accounting cycle. Budgets are not, however, legally adopted nor required in the basic financial statement presentation.





## Gainesville Housing Authority

### NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2012

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 8. Income taxes

The Authority is a governmental entity and is exempt from federal and state income taxes. In addition the blended component units had no activity in the current year, and accordingly, no provision for income taxes has been made in the financial statements.

##### 9. Leasing activities

The Authority is the lessor of dwelling units to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time or renewed every year. The Authority may cancel the leases only for cause. Revenues associated with these leases are recorded in the accompanying financial statements and related schedules within tenant revenue.

##### 10. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### 11. Impairment

The Authority evaluates events or changes in circumstances affecting long-lived assets to determine whether an impairment of its assets has occurred. If the Authority determines that a capital asset is impaired, and that impairment is other-than-temporary, then an impairment loss will be recorded in the Authority's financial statements. Management has determined that there were no impairments as of March 31, 2012.

##### 12. Impact of recently issued accounting principles

In November 2010, the GASB issued Statement No. 61, The Financial Reporting Entity: Omnibus, to improve financial reporting for a governmental financial reporting entity. GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 61 also amends criteria for the reporting component units as if they were part of the primary government in certain circumstances. This statement is effective for periods beginning after June 15, 2012. Management is currently evaluating the impact of the adoption of this statement on the Authority's financial statements.



Gainesville Housing Authority

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2012

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

12. Impact of recently issued accounting principles (continued)

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 20, 1989 FASB and AICPA Pronouncements. GASB Statement No. 62 incorporates into the GASB's authoritative literature certain FASB accounting and financial reporting guidance issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB Statement No. 62 will not have any impact on the Authority's financial statements.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which requires governmental and business-type activities to report net position rather than net assets, deferred outflows of resources, and deferred inflows of resources. GASB Statement No. 63 also changes the title of the statement of net assets to the statement of net position. GASB Statement No. 63 is effective for periods beginning after December 15, 2011. Management is currently evaluating the impact of the adoption of this statement on the Authority's financial statements.

**NOTE B - DETAILED NOTES**

1. Deposits and investments

As of March 31, 2012, the Authority's cash and cash equivalents consist of demand deposits and certificates of deposits with a carrying value of \$2,772,251. As of March 31, 2012, the Authority's investment balance consists of a certificate of deposit with an original maturity greater than three months in the amount of \$112,268.

In accordance with GASB No. 40, the Authority's exposure to deposit and investment risk is disclosed as follows:

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's policy is to manage its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio. As of March 31, 2012, the Authority's risk of changes in interest rates is minimal since the investments consist of certificates of deposits which have stated interest rates.

*Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is the Authority's policy to follow the HUD regulations by only having direct investments and investments through mutual funds to direct obligations, guaranteed obligations, or obligations of the agencies of the United States of America. As of March 31, 2012, the Authority mitigated their exposure to credit risk by only investing in fully insured certificates of deposit.



Gainesville Housing Authority

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2012

NOTE B - DETAILED NOTES (continued)

1. Deposits and investments (continued)

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority's deposit policy for custodial credit risk requires collateral to be held in the Authority's name by its agent or by the bank's trust department. As of March 31, 2012, none of the Authority's total bank balance of \$3,025,674 was exposed to custodial credit risk.

The Authority maintains its cash balances in bank deposit accounts which, at times, may exceed federally insured limits. The Bank participates in the Federal Deposit Insurance Corporation (FDIC). All funds in a "noninterest-bearing transaction account" are insured in full by the FDIC through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules.

Monies invested greater than the insurance coverage are secured by qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Deposits Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Authority pursuant to Section 280.08, Florida Statutes. Financial institutions must meet the criteria of being a Qualified Public Depository as described in the Florida Security for Public Deposits Act, under Chapter 280, Florida Statutes.

*Restricted cash and cash equivalents*

Cash and cash equivalents were restricted for the following purposes at March 31, 2012:

|                              |    |                |
|------------------------------|----|----------------|
| Security deposits            | \$ | 152,711        |
| Voucher HAP reserves         |    | 101,047        |
| Public Housing -             |    |                |
| claimants compensation fund  |    | 93,056         |
| Section 8 New Construction - |    |                |
| claimants compensation fund  |    | <u>36,180</u>  |
| Total restricted cash        | \$ | <u>382,994</u> |



**Gainesville Housing Authority**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**March 31, 2012**

**NOTE B - DETAILED NOTES (continued)**

**2. Receivables, net**

As of March 31, 2012, receivables, net consist of:

|  |                   |
|--|-------------------|
| Due from HUD                             | \$ 117,732        |
| Due from other PHA projects              | 8,699             |
| Tenant receivables                       | <u>24,629</u>     |
| Total receivables                        | 151,060           |
| Allowance for doubtful accounts - tenant | (11,878)          |
| Allowance for doubtful accounts - other  | <u>(3,790)</u>    |
|  | <u>\$ 135,392</u> |

**3. Capital assets, net**

A summary of changes in capital assets is as follows:

|                                | Balance at<br>April 1, 2011,<br>restated | Transfers in/<br>Additions | Transfers out/<br>Deletions | Balance at<br>March 31, 2012 |
|--------------------------------|--|----------------------------|-----------------------------|------------------------------|
| Non-depreciable:               |  |                            |                             |                              |
| Land                           | \$ 789,117                               | \$ -                       | \$ -                        | \$ 789,117                   |
| Construction in progress       | 3,057,711                                | 184,346                    | (3,221,929)                 | 20,128                       |
| Total non-depreciable          | <u>3,846,828</u>                         | <u>184,346</u>             | <u>(3,221,929)</u>          | <u>809,245</u>               |
| Depreciated:                   |  |                            |                             |                              |
| Buildings and improvements     | 24,482,500                               | 3,250,565                  | -                           | 27,733,065                   |
| Equipment - administrative     | 1,139,388                                | 10,014                     | -                           | 1,149,402                    |
| Equipment - dwelling           | 5,775                                    | -                          | -                           | 5,775                        |
| Total depreciated              | <u>25,627,663</u>                        | <u>3,260,579</u>           | <u>-</u>                    | <u>28,888,242</u>            |
| Total capital assets           | <u>29,474,491</u>                        | <u>3,444,925</u>           | <u>(3,221,929)</u>          | <u>29,697,487</u>            |
| Less accumulated depreciation  |  |                            |                             |                              |
| Buildings and improvements     | (20,970,603)                             | (355,264)                  | -                           | (21,325,867)                 |
| Equipment - administrative     | (888,278)                                | (103,297)                  | -                           | (991,575)                    |
| Equipment - dwelling           | -  | -                          | -                           | -                            |
| Total accumulated depreciation | <u>(21,858,881)</u>                      | <u>(458,561)</u>           | <u>-</u>                    | <u>(22,317,442)</u>          |
| Capital assets, net            | <u>\$ 7,615,610</u>                      | <u>\$ 2,986,364</u>        | <u>\$ (3,221,929)</u>       | <u>\$ 7,380,045</u>          |

As noted in Note B-12, during the current year the Authority has determined construction in progress totaling \$82,109 was incorrectly recorded in prior years, therefore the beginning balance in the above table has been decreased accordingly.





**Gainesville Housing Authority**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**March 31, 2012**

**NOTE B - DETAILED NOTES (continued)**

4. Noncurrent liabilities

A summary of changes in noncurrent liabilities for the year ended March 31, 2012 is as follows:

|                              | Payable at<br>April 1, 2011 | Additions         | Reductions          | Payable at<br>March 31,<br>2012 | Due Within<br>One Year |
|------------------------------|-----------------------------|-------------------|---------------------|---------------------------------|------------------------|
| Mortgage note payable        | \$ 1,271,624                | \$ -              | \$ (47,194)         | \$ 1,224,430                    | \$1,224,430            |
| Compensated absences         | 103,142                     | 134,166           | (149,113)           | 88,195                          | 25,712                 |
| Total noncurrent liabilities | <u>\$ 1,374,766</u>         | <u>\$ 134,166</u> | <u>\$ (196,307)</u> | <u>\$ 1,312,625</u>             | <u>\$1,250,142</u>     |

*Mortgage note payable*

During the fiscal year ending March 31, 2010, Gainesville Housing Authority took ownership of a loan through a Lending Institution that was held under Gainesville, Florida Housing Corporation, Inc., a blended component unit of the Authority. The note is secured by the land, buildings and equipment under signed Deeds of Trust. The terms of the agreement include thirty three remaining months of principal and interest payments, fixed at a rate of 7.25% payable beginning November 22, 2009. In addition, one balloon payment of any and all outstanding principal and interest shall be due and payable at the maturity date of August 22, 2012, however a 90 day extension was granted see Note B-13. The balance of the loan at March 31, 2012 was \$1,224,430. Interest expense for the year ended March 31, 2012 was \$76,103.

5. Pension plan

The Authority provides pension benefits for all its full-time employees through a defined contribution plan entitled "Gainesville Housing Authority Pension Plan". The plan is administered by Pension Specialist, Inc., 6271 DuPont Station Court East, Jacksonville, Florida 32217. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Board of Commissioners for the Authority is authorized to establish and amend plan benefits. Employees are eligible to participate from the date of employment. The Authority contributes 15% of the employee's base salary each month. The Authority's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service. Authority contributions for, and interest forfeited by, employees who leave employment before vesting are used to reduce the Authority's current period contribution requirement.

The Authority's total payroll in fiscal year 2012 was \$1,898,804. The Authority's contributions were calculated using the base salary amount of \$1,373,594. The Authority made the required contributions amounting to \$199,907.



Gainesville Housing Authority

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2012

NOTE B - DETAILED NOTES (continued)

6. Deferred compensation plan

The Authority provides employees the opportunity to make voluntary contributions to a 457 Deferred Compensation Plan. All contributions to the plan come from deductions by employees through payroll administration. Generally, employees can contribute up to 100% of their earnings up to the amount prescribed by Federal Regulations. For employees who meet the age requirement (within three years of 62 years of age), there is a provision allowed by Federal Law to make additional catch-up contributions up to the amount that would have been allowed over the last three years. This plan is administered by Key Financial Group/Security Benefit Life Insurance Company. Upon termination of employment, either by retirement or otherwise, the employee is entitled to the balance of the funds in his/her account. No withdrawals are allowed while the participant is still employed. In the year ending March 31, 2012, the employee contributions to the retirement plan were \$8,047.

7. Risk management

The Authority is exposed to various risks of loss related to torts; theft of, damages to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Authority carries commercial insurance for all property and equipment, employee health and accident insurance, general liability, fire and extended coverage, fidelity bond, automobile, and Director and Officers liability. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Additionally, there have been no significant reductions in insurance coverage from the prior year.

The Authority also participates in a public entity risk pool (Housing Authority's Risk Retention Group, Inc.) for boiler and machinery, fidelity bond and Director and Officers liability insurance. Settled claims resulting from these risks have not exceeded risk pool coverage in any of the past three fiscal years. Rights and responsibilities of the Authority and the pool are contained within the pool agreement and the scope of coverage documents.



Gainesville Housing Authority

NOTES TO BASIC FINANCIAL STATEMENTS

March 31, 2012

NOTE B - DETAILED NOTES (continued)

8. Commitments and contingencies

a. *Legal*

The Authority is party to various pending or threatened legal actions arising from the normal course of operations. Although the outcome of these actions is not presently determinable, it is the Authority's opinion that any resulting liability is not expected to have a material effect on the Authority's financial position.

b. *Grants and contracts*

The Authority participates in various federally-assisted grant programs that are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. Management is not aware of any audits or reviews as of the date of this report.

In accordance with GASB Statement No. 33 and PIH Notice 2008-9, the amount of current year program subsidy received in excess of associated qualifying expenses is presented as net program income or loss with the cumulative excess funding being reflected in restricted net assets in the basic financial statements for the Section 8 Housing Choice Voucher program. As of March 31, 2012, unspent cumulative excess funding of \$101,047 for Section 8 Housing Assistance Payments is subject to possible future recapture.

c. *Funds awarded*

The Authority receives funding from HUD through various grants to help subsidize the cost of project repairs, improvements and certain operating costs. Unspent awards as of March 31, 2012 amounted to:

| Grant                                 | Unspent Awards |
|---------------------------------------|----------------|
| Public Housing Capital Fund Program   | \$ 1,989,332   |
| Resident Opportunity Support Services | \$ 79,250      |
| Shelter Plus Care                     | \$ 182,230     |

9. Concentrations

For the year ended March 31, 2012, approximately 87% of revenues are received from HUD and approximately 87% of receivables are due from HUD.



**Gainesville Housing Authority**

**NOTES TO BASIC FINANCIAL STATEMENTS**

**March 31, 2012**

**NOTE B - DETAILED NOTES (continued)**

10. Financial data schedule

As required by HUD, the Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format. The schedule's format excludes depreciation expense, housing assistance payments and extraordinary maintenance expense from operating activities, includes investment revenue, HUD capital grants revenue, gains and losses on the disposal of fixed assets and interest expense in operating activities, and reflects tenant revenue and bad debt expense separately, which differs from the presentation of the basic financial statements.

11. Related parties

The Authority entered into an Interlocal Agreement for management services with Alachua County Housing Authority ("ACHA") on November 1, 2009. The Authority reimbursed ACHA for these services at a base rate of \$6,700 per month. The agreement with ACHA was terminated in April 2011 and there were no associated liabilities or receivables as of March 31, 2012.

12. Prior period adjustments

During the current year, the Authority determined that construction in progress totaling \$82,109 was incorrectly recorded in prior years. To correct this error, the beginning balance of capital assets and the beginning net assets have been decreased by \$82,109 (See Note B-3).

13. Subsequent events

*a. Loan agreement*

In a letter dated August 23, 2012, management contacted M&S Bank to request a 90 day forbearance without additional fees. On August 31, 2012, GHA and M&S Bank entered into a forbearance agreement wherein the maturity date of the note was extended 90 days from August 25, 2012 to November 25, 2012. As of the report date, no events of default occurred under the agreement (See Note B-4).

*b. Evaluating subsequent events*

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through November 21, 2012, the date the financial statements were available to be issued.





**SUPPLEMENTAL INFORMATION**



Gainesville Housing Authority

SCHEDULE OF ACTUAL PUBLIC HOUSING CAPITAL FUND PROGRAM COSTS AND ADVANCES

Year ended March 31, 2012

| PROGRAM                               | FL29P063501-09 | FL29P063501-10 | FL29P063501-11 | FL29P063501-12 | TOTAL        |
|---------------------------------------|----------------|----------------|----------------|----------------|--------------|
| <b>BUDGET</b>                         | \$ 1,020,936   | \$ 1,019,532   | \$ 867,951     | \$ 790,503     | \$ 3,698,922 |
| <b>ADVANCES</b>                       |                |                |                |                |              |
| Cash receipts - prior years           | \$ 993,931     | \$ 89,923      | \$ -           | \$ -           | \$ 1,083,854 |
| Cash receipts - current year          | 27,005         | 583,782        | -              | -              | 610,787      |
| Cumulative as of March 31, 2012       | 1,020,936      | 673,705        | -              | -              | 1,694,641    |
| <b>COSTS</b>                          |                |                |                |                |              |
| Prior years                           | 1,002,335      | 196,745        | -              | -              | 1,199,080    |
| Current year                          | 18,601         | 491,909        | -              | -              | 510,510      |
| Cumulative as of March 31, 2012       | 1,020,936      | 688,654        | -              | -              | 1,709,590    |
| <b>RECEIVABLE DUE FROM HUD</b>        | \$ -           | \$ 14,949      | \$ -           | \$ -           | \$ 14,949    |
| <b>SOFT COSTS</b>                     |                |                |                |                |              |
| Prior years                           | \$ 485,722     | \$ 89,923      | \$ -           | \$ -           | \$ 575,645   |
| Current year                          | 18,601         | 389,672        | -              | -              | 408,273      |
| Cumulative as of March 31, 2012       | 504,323        | 479,595        | -              | -              | 983,918      |
| <b>HARD COSTS</b>                     |                |                |                |                |              |
| Prior years                           | 516,613        | 106,822        | -              | -              | 623,435      |
| Current year                          | -              | 102,237        | -              | -              | 102,237      |
| Cumulative as of March 31, 2012       | 516,613        | 209,059        | -              | -              | 725,672      |
| <b>CUMULATIVE HARD AND SOFT COSTS</b> | \$ 1,020,936   | \$ 688,654     | \$ -           | \$ -           | \$ 1,709,590 |



**Gainesville Housing Authority**

**SCHEDULE OF ACTUAL RESIDENT OPPORTUNITY AND SUPPORTIVE  
SERVICES PROGRAM COSTS AND ADVANCES**

Year ended March 31, 2012

| <b>PROGRAM</b>                        | <b>FL063REL002<br/>A005</b> |
|---------------------------------------|-----------------------------|
| <b>BUDGET</b>                         | <u>\$ 349,995</u>           |
| <b>ADVANCES</b>                       |                             |
| Cash receipts - prior years           | \$ 224,854                  |
| Cash receipts - current year          | <u>24,245</u>               |
| Cumulative as of March 31, 2012       | <u>249,099</u>              |
| <b>COSTS</b>                          |                             |
| Prior years                           | 261,238                     |
| Current year                          | <u>9,507</u>                |
| Cumulative as of March 31, 2012       | <u>270,745</u>              |
| <b>RECEIVABLE DUE FROM HUD</b>        | <u>\$ 21,646</u>            |
| <b>SOFT COSTS</b>                     |                             |
| Prior years                           | \$ 261,238                  |
| Current year                          | <u>9,507</u>                |
| Cumulative as of March 31, 2012       | <u>270,745</u>              |
| <b>HARD COSTS</b>                     |                             |
| Prior years                           | -                           |
| Current year                          | <u>-</u>                    |
| Cumulative as of March 31, 2012       | <u>-</u>                    |
| <b>CUMULATIVE HARD AND SOFT COSTS</b> | <u>\$ 270,745</u>           |



Gainesville Housing Authority

SCHEDULE OF ACTUAL PUBLIC HOUSING CAPITAL FUND STIMULUS (FORMULA) RECOVERY  
ACT FUNDED PROGRAM COSTS AND ADVANCES

Year ended March 31, 2012

| PROGRAM                               | FL29S063501-09      |
|---------------------------------------|---------------------|
| <b>BUDGET</b>                         | <u>\$ 1,289,269</u> |
| <b>ADVANCES</b>                       |                     |
| Cash receipts - prior years           | \$ 1,284,672        |
| Cash receipts - current year          | <u>4,597</u>        |
| Cumulative as of March 31, 2012       | <u>1,289,269</u>    |
| <b>COSTS</b>                          |                     |
| Prior years                           | 1,289,269           |
| Current year                          | <u>-</u>            |
| Cumulative as of March 31, 2012       | <u>1,289,269</u>    |
| <b>RECEIVABLE DUE FROM HUD</b>        | <u>\$ -</u>         |
| <b>SOFT COSTS</b>                     |                     |
| Prior years                           | \$ 38,265           |
| Current year                          | <u>-</u>            |
| Cumulative as of March 31, 2012       | <u>38,265</u>       |
| <b>HARD COSTS</b>                     |                     |
| Prior years                           | 1,251,004           |
| Current year                          | <u>-</u>            |
| Cumulative as of March 31, 2012       | <u>1,251,004</u>    |
| <b>CUMULATIVE HARD AND SOFT COSTS</b> | <u>\$ 1,289,269</u> |





**SINGLE AUDIT SECTION**



**Gainesville Housing Authority**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year ended March 31, 2012**

| <u>Federal Grantor/Pass-Through Grantor/<br/>Program or Cluster Title</u> | <u>CFDA<br/>Number</u> | <u>Federal<br/>Expenditures</u> |
|---|------------------------|---------------------------------|
| <u>U.S. Department of Housing and Urban Development</u>                   |                        |                                 |
| N/C S/R Section 8 Programs  | 14.182                 | \$ 457,962                      |
| Low Rent Public Housing Program   | 14.850                 | 2,424,109                       |
| Section 8 Housing Choice Voucher Program                                  | 14.871                 | 9,604,840                       |
| Public Housing Capital Fund Program                                       | 14.872                 | 510,510                         |
| Shelter Plus Care   | 14.238                 | 149,555                         |
| Resident Opportunity and Supportive Services                              | 14.870                 | 9,507                           |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                               |                        | <b><u>\$ 13,156,483</u></b>     |

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Gainesville Housing Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

In accordance with HUD regulations, HUD considers the Annual Budget Authority for the Section 8 Housing Choice Voucher Program ("HCV") and the Veterans Affairs Supportive Housing program ("VASH"), both CFDA No. 14.871, to be considered an expenditure for the purposes of this schedule. Therefore, the amount in this schedule is the total amount received directly from HUD and not the total expenditures paid by the Authority.



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## 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

Board of Commissioners  
Gainesville Housing Authority  
Gainesville, Florida

We have audited the financial statements of the business-type activities of the Gainesville Housing Authority (the "Authority"), as of and for the year ended March 31, 2012, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 21, 2012. 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.

### Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

*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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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 matter that is required to be reported under *Government Auditing Standards*.

In addition, we noted certain matters that were reported to management of the Authority in a separate letter dated November 21, 2012.

This report is intended solely for the information and use of the Board of Commissioners, management, others within the Authority, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 21, 2012  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*





**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**

Board of Commissioners  
Gainesville Housing Authority  
Gainesville, Florida

Compliance

We have audited Gainesville Housing Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the Authority's major federal programs for the year ended March 31, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

As described in items 12-1 through 12-5 and 12-8 in the accompanying schedule of findings and questioned costs, the Authority, did not comply with the following requirements that are applicable to its major programs:

***Low Rent Public Housing Program***

- Eligibility
- Special Tests and Provisions - Waiting List
- Special Tests and Provisions - Flat Rent

***Section 8 Housing Choice Voucher Program***

- Eligibility
- Reporting
- Special Tests and Provisions - Waiting List
- Special Tests and Provisions - Rent Reasonableness



Compliance with such requirements is necessary, in our opinion, for the Authority, to comply with the requirements applicable to that program.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, the Authority did not comply, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on both Low Rent Public Housing and the Section 8 Housing Choice Voucher Program. Also, in our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended March 31, 2012. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 12-6, 12-7 and 12-9.

### Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 12-1 through 12-5 and 12-8 to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 12-6, 12-7 and 12-9 to be significant deficiencies.



The Authority's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the Authority's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

November 21, 2012  
Melbourne, Florida

*Berman Hopkins Wright & LaHam*  
*CPAs and Associates, LLP*



**Gainesville Housing Authority**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**March 31, 2012**

**A. SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: **Unqualified**

Internal control over financial reporting:

Material weaknesses identified? **No**

Significant deficiencies identified? **No**

Noncompliance material to financial statements noted? **No**

Federal Awards

Internal control over major programs:

Material weaknesses identified? **Yes (12-1 through 12-5, and 12-8)**

Significant deficiencies identified? **Yes (12-6, 12-7 and 12-9)**

The programs' that were tested as major and the related type of auditors' report that was issued on compliance for these major programs are as follows:

- **Section 8 Housing Choice Voucher - Adverse**
- **Low Rent Public Housing - Adverse**
- **Section 8 New Construction - Unqualified**
- **Public Housing Capital Fund - Unqualified**

Audit findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133 are reported in this schedule.

The threshold for distinguishing types A and B programs was **\$394,694**

Did the auditee qualify as a low-risk auditee? **No**





Gainesville Housing Authority

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

March 31, 2012

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

NONE.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

12-1 Reporting

Section 8 Housing Choice Voucher ("HCV") - CFDA Number 14.871

*Material Weakness - Internal Controls*

*Material Noncompliance*

Repeated from prior year (see finding 11-7)

Condition: During our testing of the Section Eight Management Assessment Program (SEMAP), the following exceptions were noted:

- Indicator 1 - *Waiting List*: The Authority did not properly manage the waiting list during the year, consequently, we were not able to verify that tenants were given vouchers pulled from the waiting list properly.
- Indicator 5 - *HQS Quality Control*: The Authority did not perform quality control inspections evenly throughout the year and 12 out of the 32 the quality control inspections the Authority did perform were not completed within 90 days of the original inspection. It was further noted that the quality control sample did not test the work of the original inspector, and did not capture the purpose of the test regarding the timeliness of the reinspection.
- Indicator 6 - *HQS Enforcement*: The sample tested by management was not from the entire Universe but only from the last 30 days of the fiscal year end.
- Indicator 8 - *Payment Standards*: The Authority's payment standards as presented on the SEMAP report reflected the incorrect years. The payment standards for the March 31, 2012 SEMAP should have been the approved standards in effect at the time SEMAP was submitted (May 1, 2012).

Criteria: According to 24 CFR 985.1, the Section 8 Management Assessment Program (SEMAP) is designed to assess whether the Section 8 tenant-based assistance programs operate to help eligible families afford decent rental units at the correct subsidy cost. SEMAP provides procedures for HUD to identify PHA management capabilities and deficiencies in order to target monitoring and program assistance more effectively. The following regulations explain how the Authority should have performed SEMAP for the indicators listed above:



Gainesville Housing Authority

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

March 31, 2012

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS  
(continued)

12-1 Reporting (continued)

- Indicator 1 - *Waiting List*: 24 CFR 982.54(d)(1) and 982.204(a) require the PHA's quality control samples of applicants reaching the top of the waiting list and admissions show that at least 98% of the families in the samples were selected from the waiting list for admission in accordance with the PHA's policies and met the selection criteria that determined their places on the waiting list and their order of selection.
- Indicator 5 - *HQS Quality Control*: The Housing Choice Voucher Program Guidebook requires that HQS inspections included in the sample be no older than 90 days at the time of the reinspection.
- Indicator 6 - *HQS Enforcement*: 24 CFR 985.3(f) requires the Authority to perform a quality control sample of case files with failed HQS inspections. 24 CFR 982.404 requires the Authority to correct all non-life-threatening deficiencies within 30 days of the inspection, or if the deficiencies were not corrected within the required time frame, that the PHA stop housing assistance payments beginning no later than the first of the month following the 30 day period.
- Indicator 8 - *Payment Standards*: 24 CFR 982.503 requires the PHA to adopt current payment standards for the voucher program by unit size for each Fair Market Rent ("FMR") area in the PHA jurisdiction and, if applicable, for each PHA-designated part of an FMR area, which do not exceed 110 percent of the current applicable FMR (unless a lower percent is approved by HUD).

Effect: The Authority's score for SEMAP may change based on our results.

Cause: The Authority did not properly perform and report the required results for SEMAP Indicator 1 - *Waiting List*, Indicator 5 - *HQS Quality Control*, Indicator 6 - *HQS Enforcement*, and Indicator 8 - *Payment Standards*.

Auditors' Recommendations: The Authority needs to correctly perform the SEMAP review and report accurately according to the samples tested. We further recommend that the Authority correct the reporting deficiencies and resubmit its SEMAP report to HUD. In addition, the Authority should verify that controls are in place in order to ensure accurate SEMAP reporting, including assessing staff skill sets and appropriate training.



Gainesville Housing Authority

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

March 31, 2012

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS  
(continued)

**12-2 Special Test and Provisions - Waiting List**

Section 8 Housing Choice Voucher, CFDA Number 14.871

*Material Weakness - Internal Controls*

*Material Noncompliance*

Repeated from prior year (see finding 11-8)

Condition: During our testing of the waiting list, we noted that the waiting list was not properly tracking applicants that were either moved in, determined to be nonresponsive, or ineligible. Without proper tracking, it cannot be determined that individuals are being selected from the lists and given the opportunity to be housed in the proper order. We tested 3 applicants and noted all 3 applicants who were issued vouchers were not selected from the waiting list. It was also noted that during the prior year, the Authority changed operating systems and it appears that the applicants were not properly transferred from the old system into the new system.

Criteria: In accordance with 24 CFR 982.54, the Authority should follow the policies and procedures documented in its Section 8 Administrative Plan for selecting applicants from the waiting list.

Effect: The Authority is not housing applicants in the proper order from the waiting list.

Cause: The Authority does not have adequate systems and controls in place to ensure the waiting list is properly maintained and conforms to the required standards.

Auditors' Recommendations: The Authority should implement systems and controls to adequately maintain a waiting list that ensures applicants are housed, or given the opportunity to be housed in the proper order. Modifications to the process in place during fiscal year 2012 are needed to adequately provide support and tracking of the correct procedures. Management and the Board need to discuss with the local field office how the Authority should handle the current voucher holders who were identified as being housed improperly per this finding. Staffing levels, skill sets and training should be assessed as well.

**12-3 Special Test and Provisions - Waiting List**

Low Rent Public Housing - CFDA Number 14.850

*Material Weakness - Internal Controls*

*Material Noncompliance*

Repeated from prior year (see finding 11-9)

Condition: During our testing of the waiting list, we noted that the waiting list was not properly tracking applicants that were either moved in, determined to be nonresponsive, or ineligible. Without proper tracking, it cannot be determined that individuals are being selected from the lists and given the opportunity to be housed in the proper order. Due to the lack of controls and documentation, management determined that the waiting list for Low Rent Public Housing was not properly maintained and not in order to test.



Gainesville Housing Authority

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

March 31, 2012

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS  
(continued)

**12-3 Special Test and Provisions - Waiting List (continued)**

Criteria: In accordance with 24 CFR 5, Subparts E and F, Part 945 and 960.201 through 960.215, the Authority should follow the policies and procedures documented in its Admissions and Continued Occupancy Policy ("ACOP") for selecting applicants from the waiting list.

Effect: It could not be determined that the Authority is housing applicants in the proper order on the waiting list.

Cause: The Authority does not have adequate systems and controls in place to ensure the waiting list is properly maintained and conforms to the required standards.

Auditors' Recommendations: The Authority should implement systems and controls to adequately maintain a waiting list that ensures applicants are housed, or given the opportunity to be housed in the proper order. Modifications to the process in place during fiscal year 2012 are needed to adequately provide support and tracking of the correct procedures. Staffing levels, skill sets and training should be assessed as well.

**12-4 Eligibility**

Section 8 Housing Choice Voucher - CFDA Number 14.871

*Material Weakness - Internal Controls*

*Material Noncompliance*

Repeated from prior year (see finding 11-10)

Condition: Out of a total tenant population of approximately 1,200 vouchers, 40 tenant files were tested and 12 files had exceptions as follows:

- i. 1 file did not have an annual inspection performed within the fiscal year 2012;
- ii. 1 file did not have proper 3<sup>rd</sup> party support for tenant income;
- iii. 1 file was missing evidence of custody for a household member;
- iv. 1 file did not have a signed Section 214 Declaration Status form;
- v. 2 files had an incorrect income calculation based on the verified income;
- vi. 8 files had an incorrect utility allowance.

Criteria: 24 CFR 982.516 requires internal controls to be in place to ensure compliance with HUD requirements, as well as, complete and accurate tenant files. In addition, the Authority must obtain and document in the tenant file third party verification of reported family annual income, the value of assets, expenses related to deductions from annual income and other factors that affect the determination of adjusted income, or why third party verification was not available. The Authority's administrative plan also requires following proper procedures for determination of HAP and verification of income.





Gainesville Housing Authority

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

March 31, 2012

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS  
(continued)

12-4 Eligibility (continued)

Effect: The Authority is not in compliance with all of the HUD requirements regarding eligibility and tenant recertifications, which could result in incorrect total tenant payments for rent and HAP payments to landlords.

Cause: Procedures to ensure compliance with all of the HUD requirements are not properly implemented.

Auditors' Recommendation: The Authority should correct the deficiencies noted in the tested files to ensure proper compliance with the requirements related to tenant eligibility. Procedures should be continuously applied to ensure proper tenant management. Ongoing staff training and timely management reviews should continue to ensure staff is aware of acceptable procedures. Also, skill sets, staffing, and case loads should be reviewed by management to ensure timely and accurate tenant management.

12-5 Eligibility

Low Rent Public Housing - CFDA Number 14.850

*Material Weakness - Internal Controls*

*Material Noncompliance*

Repeated from prior year (see finding 11-11)

Condition: Out of a total tenant population of approximately 610 tenants, 40 tenant files were tested and 12 files had noted exceptions as follows:

- i. 1 file did not have an annual certification within 12 months;
- ii. 4 files lacked birth certificate for household members;
- iii. 1 file did not properly report information obtained for asset verification;
- iv. 2 files lacked 3<sup>rd</sup> party verification of income;
- v. 1 file lacked a current HUD Form 9886 for adult members in the household;
- vi. 3 files had flat rent option sheets that were signed after the effective date of the annual recertification or lacked evidence of the date that the sheet was signed;
- vii. 1 files did not include and then disallow income properly per HUD requirements and
- viii. 3 files had an incorrect income calculation based on verified income support.

Criteria: 24 CFR 960.259 requires internal controls to be in place to ensure compliance with HUD requirements, as well as, complete and accurate tenant files. In addition, the Authority must obtain and document in the tenant file third party verification of reported family annual income, the value of assets, expenses related to deductions from annual income and other factors that affect the determination of adjusted income, or why third party verification was not available. The Authority's Admission and Continued Occupancy Policy also requires following proper procedures for determination of rent and verification of eligibility and income.

Effect: The Authority is not in compliance with all of the HUD requirements regarding eligibility and tenant recertifications, which could result in incorrect rent calculations.



**Gainesville Housing Authority**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**March 31, 2012**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS**  
**(continued)**

**12-5 Eligibility (continued)**

Cause: Procedures to ensure compliance with all of the HUD requirements are not properly implemented and being followed.

Auditors' Recommendation: The Authority should correct the deficiencies noted in the tested files to ensure proper compliance with the requirements related to tenant eligibility. Procedures should be continuously applied to ensure proper tenant management. Ongoing staff training and timely management reviews should continue to ensure staff is aware of acceptable procedures. Also, skill sets, staffing, and case loads should be reviewed by management to ensure timely and accurate tenant management.

**12-6 Reporting**

Low Rent Public Housing - CFDA Number 14.850

Section 8 Housing Choice Voucher - CFDA Number 14.871

Public Housing Capital Fund - CFDA Number 14.872

*Significant Deficiency - Internal Controls*

*Other matter required to be reported in accordance with OMB Circular A-133*

Repeated from prior year (see finding 11-12)

Condition: During our testing, we noted that the Authority had not completed and submitted the required HUD Form 60002, Section 3 Summary Report, Economic Opportunities for Low and Very Low-Income Persons, in the required time frame. We also noted that the Authority did not submit the fiscal year 2011 Section 3 Summary Report for the Low Rent Public Housing program.

Criteria: 24 CFR 135.3(a) and 135.90 requires that for each Public and Indian Housing grant that involves development, operating, or modernization assistance, the prime recipient must annually submit HUD Form 60002.

Cause: Controls were not in place to ensure that the Authority is submitting the required 60002 HUD form.

Effect: The Authority is not in compliance with reporting requirements. In addition, by not completing the required form, HUD was not able to utilize information for proper oversight.

Auditors' Recommendation: We recommend that the Authority completes the required HUD forms and submits them to HUD timely. The Authority should also verify that controls are in place in order to ensure accurate and timely Section 3 reporting.



Gainesville Housing Authority

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

March 31, 2012

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS  
(continued)

12-7 Special Tests and Provisions - Utility Allowance

Low Rent Public Housing - CFDA Number 14.850

Section 8 Housing Choice Voucher - CFDA Number 14.871

*Significant Deficiency - Internal Controls*

*Other matter required to be reported in accordance with OMB Circular A-133*

Repeated from prior year (see finding 11-13)

Condition: During our testing of the Section 8 Housing Choice Voucher tenant files, it was noted that the utility allowances had not been reviewed or adjusted since the year 2000. Furthermore, during our testing of Low Rent Public Housing tenant files, it was noted that the Authority did not properly implement the change in their utility allowance after there was an adjustment made to their utility allowance rates.

Criteria:

- i. 24 CFR 982.517 which applies to Section 8 Housing Choice Voucher Program requires the Authority to review its schedule of utility allowances each year, and must revise the allowance for a utility category if there has been a change of 10 percent or more in the utility rate since the last time the utility allowance schedule was revised. The Authority must maintain information supporting its annual review of utility allowances and any revisions made in its utility allowance schedule.
- ii. 24 CFR 965.507 which applies to Low Rent Public Housing requires the Authority to review, at least annually, the basis on which utility allowances have been established and, if reasonably required in order to continue adherence to the standards stated in 965.505, shall establish revised allowances.

Effect: The Authority's utility allowances may change based on current year utility rates once a study is performed. Utility Allowance is a critical component of the Total Tenant Payment and the effect of this finding is that tenants have the potential of not paying the correct amount for rent.

Cause: The Authority did not have a utility allowance review done within twelve months for the Section 8 Program. In addition, the Authority had a study performed in fiscal year 2012 for the Low Rent Public Housing; however, they did not use the information to implement utility allowance schedules when necessary.

Auditors' Recommendations: The Authority needs to have a utility review performed at least annually and the Authority should update and implement the changes to the utility allowances as necessary based on the results of this review for both the Section 8 Housing Choice Voucher Program and Low Rent Public Housing.



Gainesville Housing Authority

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

March 31, 2012

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS  
(continued)

**12-8 Special Tests and Provisions - Rent Reasonableness and Flat Rent**

Section 8 Housing Choice Voucher - CFDA Number 14.871

Low Rent Public Housing - CFDA Number 14.850

*Material Weakness - Internal Controls*

*Material Noncompliance*

Repeated from prior year (see finding 11-14)

Condition: Out of a total tenant population of approximately 1,200 vouchers for the Section 8 Housing Choice Voucher program, 40 tenant files were tested. It was noted that 13 of the tenant files did not have evidence of proper rent reasonableness procedures. It was further noted during our testing of Public Housing tenant files, that the flat rent rates currently being used by the Authority fall well below current market standards. The Authority has not conducted a review, nor has it updated the flat rent amounts that have been in place for several years.

Criteria:

- i. 24 CFR 985.3(b)(3)(A) requires that the Authority has a reasonable written method to determine reasonable rent which considers location, size, type, quality and age of the units and the amenities, housing services, and maintenance and utilities provided by the owners. 24 CFR 985.3(b)(3)(B) requires that the Authority follows its written policy and determines that the rent to owner is reasonable at the time of initial leasing, if there is any increase in the rent to owner and, at the HAP contract anniversary if there is a 5 percent decrease in the published Fair Market Rent ("FMR") in effect 60 days before the HAP contract anniversary.
- ii. 24 CFR 960.253 requires that the Authority complete a survey to determine a current flat rent rate based on the market rent charged for comparable units in the private unassisted rental market. The Authority must also use a reasonable method to determine the flat rent for a unit that consider location, quality, size, unit type, age of unit, amenities, housing services, maintenance, and any utilities provided by the

Effect: The Authority may be overpaying for an assisted unit or not collecting enough tenant rent.

Cause: The Authority does not have adequate systems and controls in place to ensure that the procedures for determining rent reasonableness, and flat rent rates conform to the required standards.

Auditors' Recommendations: The Authority should have a rent reasonableness and flat rent study completed and should then update the current information in their system. The Authority should implement systems and controls to ensure that the rent reasonableness and flat rate conforms to the required standards. Modifications to the process in place during fiscal year 2012 are needed to adequately provide support and tracking of the correct procedures.





Gainesville Housing Authority

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

March 31, 2012

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS  
(continued)

12-9 **Special Tests and Provisions - Unit Inspections**

Low Rent Public Housing - CFDA Number 14.850

Section 8 New Construction - CFDA Number 14.182

*Significant Deficiency - Internal Controls*

*Other matter required to be reported in accordance with OMB Circular A-133*

Repeated from prior year (see finding 11-15)

Condition: Out of a total tenant population of approximately 110 tenants for Section New Construction, 11 tenant files were tested and 2 files lacked evidence that an annual inspection was performed. Out of a total tenant population of approximately 610 tenants for Public Housing, 40 tenant files were tested and 7 files had noted exceptions as follows:

- i. 5 files lacked evidence that an annual inspection was performed; and
- ii. 2 files had an inadequate annual inspection performed and documented.

Criteria: HUD rules requires that housing owned or leased by a PHA, and public housing owned by another entity approved by HUD, must be maintained in accordance with the physical condition standards in 24 CFR 5, subpart G.

Effect: If the Authority is not properly performing physical inspections, the Authority may have assisted units that do not meet the physical conditions standards.

Cause: The Authority does not have adequate systems and controls in place to ensure that the procedures for performing physical inspections conform to the required standards.

Auditors' Recommendations: The Authority should implement systems and controls to adequately perform physical inspections in accordance with the required standards. Modifications to the process in place during fiscal year 2012 are needed to adequately provide support and tracking of the correct procedures.



## Gainesville Housing Authority

### SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

March 31, 2012

#### 11-1 **Financial Reporting**

##### *Material Weakness - Internal Controls*

Condition: The Authority was unable to close its books at year end within the required 60 day timeframe and was granted a waiver from HUD allowing additional time to submit unaudited financial data. However, the initial unaudited trial balance and draft Financial Data Schedule ("FDS") required several material audit entries. In accordance with Statement on Auditing Standards No. 115 ("SAS 115"), this is identified as a material weakness over financial reporting.

Auditors' Recommendations: The auditors recommend that the Authority continue to make improvements in the accounting department to ensure the close of the books of the next fiscal year end has minimal audit adjustments. The unaudited Trial Balance and FDS should be on the accrual basis of accounting and be presented in accordance with GAAP. The Authority needs to ensure that next year's books and records are closed timely and accurately, without relying on audit adjustments, considering the external auditors are independent of the internal control process.

Current Year Status: Cleared.

#### 11-2 **Allowability of Costs and Adequate Controls Over Disbursements**

##### *Material Weakness - Internal Controls*

##### *Material Noncompliance*

Condition: Adequate controls are not in place over cash disbursements. Auditor tested 56 disbursements and noted the following exceptions:

- 23 disbursements lacked proper approval,
- 5 disbursements were not properly procured in prior years per the procurement policy, and
- 4 disbursements did not appear to be reasonable and necessary.

Auditors' Recommendation: Adequate disbursement procedures should be written and implemented by the accounting staff. Staff need to have adequate training on all relevant rules and regulations and should acknowledge their understanding of the policies. The Authority should re-bid all improperly procured contracts, to ensure compliance with all HUD regulations.

Current Year Status: Presented as a management comment in 2012. Cleared as a finding in the current year.



**Gainesville Housing Authority**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**March 31, 2012**

**11-3 Equipment and Real Property Management - Capital Assets**

*Significant Deficiency - Internal Controls*

Condition: During our testing of capital assets, we noted the following issues:

- i. A required physical inventory of equipment has not been taken within the last 2 years, and
- ii. The Authority is not writing off/retiring fully depreciated assets that are no longer in use.

Auditors' Recommendation:

- i. We recommend that a physical count of property should be periodically taken (guidelines require it to be done once every two years), compared to the items carried on the detailed subsidiary records of property and equipment, and significant differences investigated.
- ii. We recommend that the Authority continue to review the property accounts and retire any assets that are not in use or are deemed obsolete. Identifying such assets may allow the Authority to sell them and free up some space and realize some income from their sale. Removing the assets from the records will reduce the bookkeeping tasks related to fixed assets.

Current Year Status: Presented as a management comment in 2012. Cleared as a finding in the current year.

**11-4 Hiring Process**

*Significant Deficiency - Internal Controls*

Condition: During our audit we reviewed the established policies and procedures related to the Authority's employee hiring process. Our testing of the controls over this process revealed numerous instances of deviations from the Authority's policies. Out of the 10 personnel files tested, 9 files had exceptions as follows:

- 2 files lacked evidence that the new hire information was submitted to the State Directory of New Hires,
- 2 files were missing the employee's job application,
- 3 files lacked proper identification documents such as I.D. and Social Security Card,
- 1 file lacked the required W-4 and I-9 Forms,
- 8 files did not properly advertise the available position vacancy, and
- 3 files lacked evidence of pre-employment physical and drug screening.



Gainesville Housing Authority

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

March 31, 2012

**11-4 Hiring Process (continued)**

Auditors' Recommendation: The Authority should obtain and file the required documentation for all noted deficiencies and update the employee files as needed. Adequate hiring procedures should be written and consistently applied by the Human Resources staff. The Authority should provide employees with proper ethics training and a proper communication channel to report situations of management override. In addition, the Board may need to review and consider the qualifications and experience of the staff in question.

Current Year Status: Cleared.

**11-5 Allowability of Costs and Adequate Controls Over Payroll Disbursements**

*Significant Deficiency - Internal Controls*

Condition: The auditor tested 25 payroll disbursements and noted that 2 of these disbursements did not properly calculate and pay overtime per the approved time sheets. The auditor noted that time sheets are not always adequately completed by the employee nor are they always approved and signed by the employee's supervisor. The auditor also noted that the employee files did not contain the most up to date pay rates for some of the employees.

Auditors' Recommendation: The Authority should document and maintain current wage rate information in every employee file. The Authority should require that time cards be submitted to the supervisor and manager for approval and the completed time cards should be submitted to the human resource department. We also recommend that as a routine procedure, the accuracy of the payroll calculation be rechecked by an employee other than the one originally preparing the payroll. Furthermore, the Board should review the current written procedures to determine if they are sufficient and follow up to determine that the procedures are being properly followed.

Current Year Status: Presented as a management comment in 2012. Cleared as a finding in the current year.





Gainesville Housing Authority

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

March 31, 2012

**11-6 Procurement and Suspension and Debarment**

*Significant Deficiency - Internal Controls*

Condition: 2 of the 7 procurement/contract files tested were noted with the following deficiencies:

- 1 of the provided files did not have proper documentation of the rationale for selecting or rejecting offer,
- 1 of the provided files did not have adequate documentation regarding the history of the procurement and the available evidence indicated that the Authority did not follow the proper procurement procedures, and
- It was also noted in our disbursement testing that 5 disbursements were made to vendors who were not procured properly in the previous years (see Finding 11-2).

In addition, the contract register maintained by the Authority did not include pertinent information, such as awarded amounts, funding source, and scope of work for all of the contracts awarded from all federal funding sources during the last fiscal year.

Auditors' Recommendations: The Authority should implement procedures to ensure that the procurement policy requirements are performed, documented, aggregated and maintained on a consistent basis in order to support that proper procurement procedures were followed. The Authority should update the procurement policy and distribute a copy to each individual in the procurement department to ensure that each employee understands the policy. Furthermore, the contract officers should maintain an adequate contract list for all contracts entered into. In addition, the validity of the services performed and the amounts paid on the contracts identified need to be analyzed by management and reviewed by the Board.

Current Year Status: Cleared. There were no contracts entered into during the 2012 audit.



Gainesville Housing Authority

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

March 31, 2012

**11-7 Reporting**

Section 8 Housing Choice Voucher ("HCV") - CFDA Number 14.871  
*Material Weakness - Internal Controls*  
*Material Noncompliance*

Condition: During our testing of the Section Eight Management Assessment Program (SEMAP), it was noted that the Authority reported a zero rating for indicators 1, 2, 3, 5, 6, 9, 10, 11, 12, and 14 resulting in overall score of 35 out of a possible 135 points. The Authority was unable to provide accurate verification of information reported on SEMAP. Due to this, we were unable to properly test the submission or verify its accuracy. However, based on other procedures performed during our audit of the HCV, the Authority's SEMAP submission appears to be accurate.

Auditors' Recommendations: The Authority should verify that controls are in place in order to ensure accurate SEMAP reporting. The Authority should be able to support the scoring for SEMAP with detailed documentation. Procedures should be implemented to ensure accurate records for all information reported in the SEMAP submission are documented and maintained. Management should refer to "The Housing Choice Voucher Program Guidebook" (7420.10G).

Current Year Status: Repeated. See finding 12-1.

**11-8 Special Test and Provisions - Waiting List**

Section 8 Housing Choice Voucher, CFDA Number 14.871  
*Material Weakness - Internal Controls*  
*Material Noncompliance*

Condition: During our testing of the waiting list, we noted that the waiting list was not properly tracking applicants that were either moved in, determined to be nonresponsive, or ineligible. Without proper tracking, it cannot be determined that individuals are being selected from the lists and given the opportunity to be housed in the proper order. We tested 13 applicants and noted exceptions as follows:

- 7 applicants who were issued vouchers were not selected in the correct order from the waiting list,
- 4 applicants who were issued vouchers were not selected from the waiting list, and
- It was also noted that during the year, the Authority changed operating systems and it appears that the applicants were not properly transferred from the old system into the new system.



**Gainesville Housing Authority**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**March 31, 2012**

**11-8 Special Test and Provisions - Waiting List (continued)**

Auditors' Recommendations: The Authority should implement systems and controls to adequately maintain a waiting list that ensures applicants are housed, or given the opportunity to be housed in the proper order. Modifications to the process in place during fiscal year 2011 are needed to adequately provide support and tracking of the correct procedures. Management and the Board need to discuss with the local field office how the Authority should handle the current voucher holders who were identified as being housed improperly per this finding.

Current Year Status: Repeated. See finding 12-2.

**11-9 Special Test and Provisions - Waiting List**

Low Rent Public Housing - CFDA Number 14.850

*Material Weakness - Internal Controls*

*Material Noncompliance*

Condition: During our testing of the waiting list, we noted that the waiting list was not properly tracking applicants that were either moved in, determined to be nonresponsive, or ineligible. Without proper tracking, it cannot be determined that individuals are being selected from the lists and given the opportunity to be housed in the proper order. During our testing, it was noted that 7 of the 8 applicants tested were not housed in the correct order and did not have documentation indicating why they were housed incorrectly.

Auditors' Recommendations: The Authority should implement systems and controls to adequately maintain a waiting list that ensures applicants are housed, or given the opportunity to be housed in the proper order. Modifications to the process in place during fiscal year 2011 are needed to adequately provide support and tracking of the correct procedures. Management and the Board need to discuss with the local field office how the Authority should handle the current tenants who were identified as being housed improperly per this finding.

Current Year Status: Repeated. See finding 12-3.



**Gainesville Housing Authority**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**March 31, 2012**

**11-10 Eligibility**

Section 8 Housing Choice Voucher - CFDA Number 14.871

*Material Weakness - Internal Controls*

*Material Noncompliance*

Condition: Out of a total tenant population of approximately 1,200 vouchers, 14 tenant files were tested and 11 files had exceptions as follows:

- 1 file did not have an annual inspection performed within the fiscal year 2011;
- 2 files did not have a properly executed HUD Form 9886, Release of Information, at the time of examination;
- 1 file lacked proper identification;
- 2 files did not have a signed Section 214 Declaration Status form;
- 1 file had an incorrect income calculation based on the verified income;
- 5 files did not use the correct payment standard;
- 9 files had an incorrect utility allowance;
- 4 files did not include and then disallow income properly per HUD requirements;
- 4 files lacked support for income verification; and
- 1 file did not properly report information obtained for asset verification.

Auditors' Recommendation: The Authority should correct the deficiencies noted in the tested files to ensure proper compliance with the requirements related to tenant eligibility. Procedures should be continuously applied to ensure proper tenant management. Ongoing staff training and timely management reviews should continue to ensure staff is aware of acceptable procedures. Also, skill sets, staffing, and case loads should be reviewed by management to ensure timely and accurate tenant management.

Current Year Status: Repeated. See finding 12-4.





## Gainesville Housing Authority

### SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

March 31, 2012

#### 11-11 Eligibility

Low Rent Public Housing - CFDA Number 14.850

*Material Weakness - Internal Controls*

*Material Noncompliance*

Condition: Out of a total tenant population of approximately 650 tenants, 15 tenant files were tested and 15 files had noted exceptions as follows:

- 7 files did not have an annual certification within 12 months;
- 1 file lacked a signed Section 214 Declaration Status form;
- 3 files lacked a signed HUD Form 9886 for adult members in the household;
- 2 files lacked proper identification;
- 5 files had flat rent option sheets that were signed after the effective date of the annual recertification or lacked evidence of the date that the sheet was signed;
- 5 files had an improperly calculated utility allowance to the tenant;
- 3 files did not include and then disallow income properly per HUD requirements;
- 1 file had an incorrect income calculation based on verified income support and
- 4 files did not properly report information obtained for asset verification.

Auditors' Recommendation: The Authority should correct the deficiencies noted in the tested files to ensure proper compliance with the requirements related to tenant eligibility. Procedures should be continuously applied to ensure proper tenant management. Ongoing staff training and timely management reviews should continue to ensure staff is aware of acceptable procedures. Also, skill sets, staffing, and caseloads should be reviewed by management to ensure timely and accurate tenant management.

Current Year Status: Repeated. See finding 12-5.

#### 11-12 Reporting

All Programs

*Significant Deficiency - Internal Controls*

*Other matter required to be reported in accordance with OMB Circular A-133*

Condition: During our testing, we noted that the Authority had not completed the required HUD Form 60002, Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons.

Auditors' Recommendation: We recommend that the Authority completes the required HUD forms and submits them to HUD annually. The Authority should also verify that controls are in place in order to ensure accurate and timely Section 3 reporting.

Current Year Status: Repeated. See finding 12-6.



Gainesville Housing Authority

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

March 31, 2012

**11-13 Special Tests and Provisions - Utility Allowance**

Low Rent Public Housing - CFDA Number 14.850

Section 8 Housing Choice Voucher - CFDA Number 14.871

*Significant Deficiency - Internal Controls*

*Other matter required to be reported in accordance with OMB Circular A-133*

Repeated from prior year (see finding 10-4)

Condition: During our testing of the Low Rent Public Housing tenant files, it was noted that the utility allowances had not been reviewed or adjusted since 2000. Furthermore, during our testing of Section 8 tenant files, it was noted that the Authority did not properly implement the change in their utility allowance after there was an adjustment made to their utility allowance rates.

Auditors' Recommendations: The Authority needs to have a utility review performed at least annually and the Authority should update and implement the changes to the utility allowances as necessary based on the results of this review for both the Section 8 Housing Choice Voucher Program and Low Rent Public Housing.

Current Year Status: Repeated. See finding 12-7.

**11-14 Special Tests and Provisions - Rent Reasonableness and Flat Rent**

Section 8 Housing Choice Voucher - CFDA Number 14.871

Low Rent Public Housing - CFDA Number 14.850

*Material Weakness - Internal Controls*

*Material Noncompliance*

Condition: Out of a total tenant population of approximately 1,200 vouchers, 14 tenant files were tested due to the number of errors identified. It was noted that 14 of the tenant files did not have evidence of proper rent reasonableness procedures. It was further noted during our testing of Public Housing tenant files, that the flat rent rates currently being used by the Authority fall well below current market standards. The Authority has not conducted a review, nor has it updated the flat rent amounts that have been in place for several years.

Auditors' Recommendations: The Authority should have a rent reasonableness and flat rent study completed and should then update the current information in their system. The Authority should implement systems and controls to ensure that the rent reasonableness and flat rate conforms to the required standards. Modifications to the process in place during fiscal year 2011 are needed to adequately provide support and tracking of the correct procedures.

Current Year Status: Repeated. See finding 12-8.



Gainesville Housing Authority

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

March 31, 2012

**11-15 Special Tests and Provisions - Unit Inspections**

Low Rent Public Housing - CFDA Number 14.850

*Significant Deficiency - Internal Controls*

*Other matter required to be reported in accordance with OMB Circular A-133*

Condition: Out of a total tenant population of approximately 650 tenants, 15 tenant files were tested and 15 files had noted exceptions as follows:

- 4 files lacked evidence that an annual inspection was performed; and
- 11 files had an inadequate annual inspection performed and documented.

Auditors' Recommendations: The Authority should implement systems and controls to adequately perform physical inspections in accordance with the required standards. Modifications to the process in place during fiscal year 2011 are needed to adequately provide support and tracking of the correct procedures.

Current Year Status: Repeated. See finding 12-9.

**11-16 Special Tests and Provisions - Housing Quality Standards ("HQS") Enforcement**

Section 8 Housing Choice Voucher - CFDA Number 14.871

*Material Weakness - Internal Controls*

*Material Noncompliance*

Condition: During our testing of HQS Enforcement, we were provided a list of approximately 327 units that had failed inspections. Out of the 3 inspections selected for testing, 3 instances were noted where the Authority did not properly abate housing assistance payments made to the landlord when an inspection failed and was not properly corrected within the required period.

Auditors' Recommendations: We recommend that the Authority develop controls to ensure that if a failed inspection is not corrected within the specified timeframe, the housing assistance payment is properly abated until the correction is made.

Current Year Status: Presented as a management comment in 2012. Cleared as a finding in the current year.





**GAINESVILLE HOUSING AUTHORITY**  
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## **CORRECTIVE ACTION PLAN**

December 7, 2012

U.S. Department of Housing and Urban Development

The Gainesville Housing Authority respectfully submits the following corrective action plan for the year ended March 31, 2012.

Name and Address of independent public accounting firm:

Brian L. Nemeroff, CPA, Partner  
Berman Hopkins Wright & LaHam, CPAs and Associates, LLP  
8035 Spyglass Hill Road  
Melbourne, FL 32940

Audit period: April 1, 2011 to March 31, 2012

The findings from the March 31, 2012 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### FINDINGS—FINANCIAL STATEMENT AUDIT

None

### FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS

#### **12-1 Reporting**

Section 8 Housing Choice Voucher ("HCV") - CFDA Number 14.871

*Material Weakness - Internal Controls*

*Material Noncompliance*

Repeated from prior year (see finding 11-7)

Condition: During our testing of the Section Eight Management Assessment Program (SEMAP), the following exceptions were noted:

- Indicator 1 – *Waiting List*. The Authority did not properly manage the waiting list during the year, consequently, the auditors were not able to verify that tenants were given vouchers pulled from the waiting list properly.







**GAINESVILLE HOUSING AUTHORITY**

*Where Housing Matters*

- Indicator 5 – *HQS Quality Control*: The Authority did not perform quality control inspections evenly throughout the year and 12 out of 32 the quality control inspections the Authority did perform were not completed within 90 days of the original inspection. It was further noted that the quality control sample did not test the work of the original inspector, and did not capture the purpose of the test regarding the timeliness of the reinspection.
- Indicator 6 – *HQS Enforcement*: The sample tested by management was not from the entire Universe but only from the last 30 days of year end.
- Indicator 8 – *Payment Standards*: The Authority's payment standards as presented on the SEMAP report reflected the incorrect years. The payment standards for the March 31, 2012 SEMAP should have been the approved standards in effect at the time the SEMAP was submitted (May 1, 2012).

Auditors' Recommendations: The Authority needs to correctly perform the SEMAP review and report accurately according to the samples tested. We further recommend that the Authority correct the reporting deficiencies and resubmit its SEMAP report to HUD. In addition, the Authority should verify that controls are in place in order to ensure accurate SEMAP reporting, including assessing staff skill sets and appropriate training.

Action Taken:

**HCV Waiting List (12-1, Indicator 1)**

- The waitlist is now being properly managed and reconciled in date and time order of application submissions. Once the waitlist is opened these applications are accepted online only and then properly uploaded into the Lindsey Housing software. The waitlist now also includes all the HUD required information per applicant that includes the following: name, family composition, address, income and preferences. By keeping the waitlist managed and reconciled by the date and time an applicant applies, this will ensure that all applicants are pulled from the waitlist in the appropriate order and then can be notified properly when their name has been pulled from the waitlist for voucher issuance and housing. The HCV Intake Specialist and HCVP Supervisor will monitor the waitlist weekly and monthly by pulling and reviewing the actual waitlist and all Waitlist reports from the Lindsey Housing software and comparing them to the Intake spreadsheets created and used to track applicants pulled from the waitlist for housing and those deemed ineligible or nonresponsive. In addition, the





**GAINESVILLE HOUSING AUTHORITY**  
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Compliance Officer will pull a random sample quarterly effective 12/30/12 for quality assurance.

**HQS (12-1, Indicator 5 and 6)**

- Quality Control (QC) inspections will be randomly scheduled using the Lindsey Housing software starting the first week of December 2012 by the HCVP Supervisor. These inspections will then be performed by the QC Inspector. There will be 10 QC inspections performed monthly that ensure completion within 90 days of the original inspection. The QC inspections will adequately check all areas of the original HQS Inspector's work and note any and all deficiencies detected. All QC inspections will be tracked and monitored using the Lindsey Housing software from the time the inspection is scheduled until the time it is completed with deficiencies and successes notated. Reports from Lindsey will also provide statistical and other pertinent data that ensure all QC inspections are in compliance with SEMAP. All deficiencies will be addressed accordingly verbally and/or in writing with the HQS Inspectors and notated in their annual performance evaluations if they are continuous.

HQS Enforcement will be more tightly controlled with the HCVP Supervisor scheduling all annual inspections 120 days out evenly between the two HQS Inspectors starting the last week in November 2012. This will ensure that the Inspectors meet their goal of having inspections completed 90 days out within the next two to three months. All other inspections such as Initial, Transfers, and Specials will be assigned evenly between the Inspectors by the Intake Specialist to ensure that the workload remains fair and balanced. All inspections will be tracked weekly and monthly using inspection reports from Lindsey Software. This tracking will include the length of inspections, pass/fail ratios, and the numbers of re-inspections and type.

**Payment Standards (12-1, Indicator 8)**

- The Authority will correctly perform SEMAP review and will report accurately according to the sample tested files. The Authority has placed controls to review and ensure that all Housing Coordinators are using the proper approved Payment Standard. Staff has received appropriate training and is in good understanding of the proper use of the Payment Standard to date. A quality control check is in place to start internally





**GAINESVILLE HOUSING AUTHORITY**  
*Where Housing Matters*

auditing files by the Compliance Officer and by the HCVP Supervisor by the first week of December 2012.

## **12-2 Special Test and Provisions - Waiting List**

Section 8 Housing Choice Voucher, CFDA Number 14.871

*Material Weakness - Internal Controls*

*Material Noncompliance*

Repeated from prior year (see finding 11-8)

Condition: During our testing of the waiting list, we noted that the waiting list was not properly tracking applicants that were either moved in, determined to be nonresponsive, or ineligible. Without proper tracking, it cannot be determined that individuals are being selected from the lists and given the opportunity to be housed in the proper order. We tested 3 applicants and noted all 3 applicants who were issued vouchers were not selected from the waiting list. It was also noted that during the prior year, the Authority changed operating systems and it appears that the applicants were not properly transferred from the old system into the new system.

Auditors' Recommendations: The Authority should implement systems and controls to adequately maintain a waiting list that ensures applicants are housed, or given the opportunity to be housed in the proper order. Modifications to the process in place during fiscal year 2012 are needed to adequately provide support and tracking of the correct procedures. Management and the Board need to discuss with the local field office how the Authority should handle the current voucher holders who were identified as being housed improperly per this finding. Staffing levels, skill sets and training should be assessed as well.

Action Taken:

### **HCV Waiting List (12-2)**

- The HCV Intake Specialist is now tracking the status of applicants that are moved in, nonresponsive, or ineligible using spreadsheets created in Excel. These spreadsheets are a bridge between applicants being properly pulled from the waitlist up until they are housed or deemed ineligible. These spreadsheets ensure that applicants are properly tracked and housed in the appropriate order by tracking every step in the Intake





**GAINESVILLE HOUSING AUTHORITY**  
*Where Housing Matters*

process including the eligibility review, the briefing with voucher issuance, unit inspection, lease-up, and finally move-in.

### **12-3 Special Test and Provisions - Waiting List**

Low Rent Public Housing - CFDA Number 14.850

*Material Weakness - Internal Controls*

*Material Noncompliance*

Repeated from prior year (see finding 11-9)

Condition: During our testing of the waiting list, we noted that the waiting list was not properly tracking applicants that were either moved in, determined to be nonresponsive, or ineligible. Without proper tracking, it cannot be determined that individuals are being selected from the lists and given the opportunity to be housed in the proper order. Due to the lack of controls and documentation, management determined that the waiting list for Low Rent Public Housing was not properly maintained and not in order to test.

Auditors' Recommendations: The Authority should implement systems and controls to adequately maintain a waiting list that ensures applicants are housed, or given the opportunity to be housed in the proper order. Modifications to the process in place during fiscal year 2012 are needed to adequately provide support and tracking of the correct procedures. Staffing levels, skill sets and training should be assessed as well.

Action Taken:

#### **PH Waiting List (12-3)**

- The waitlist is now being properly managed and reconciled in date and time order of application submissions. Once the waitlist is opened these applications are accepted online only and then properly uploaded into the Lindsey Housing software. The waitlist now also includes all the HUD required information per applicant that includes the following: name, family composition, address, income, bedroom size, and preferences. By keeping the waitlist managed and reconciled by the date, time, and bedroom size an applicant applies, this will ensure that all applicants are pulled from the waitlist in the appropriate order and then can be notified properly when their name has been pulled from the waitlist to be housed. The PH Intake Specialist and PH Supervisor will monitor the waitlist







**GAINESVILLE HOUSING AUTHORITY**  
*Where Housing Matters*

weekly and monthly by pulling and reviewing the actual waitlist and all Waitlist reports from the Lindsey Housing software to ensure applicants are being properly pulled from the waitlist and housed, and those deemed ineligible or nonresponsive. In addition, the Compliance Officer will pull a random sample quarterly effective 12/30/12 for quality assurance.

**12-4 Eligibility**

Section 8 Housing Choice Voucher - CFDA Number 14.871

*Material Weakness - Internal Controls*

*Material Noncompliance*

Repeated from prior year (see finding 11-10)

Condition: Out of a total tenant population of approximately 1,200 vouchers, 40 tenant files were tested and 12 files had exceptions as follows:

- i. 1 file did not have an annual inspection performed within the fiscal year 2012;
- ii. 1 file did not have proper 3<sup>rd</sup> party support for their income;
- iii. 1 file was missing evidence of custody for a household member;
- iv. 1 file did not have a signed Section 214 Declaration Status form;
- v. 2 files had an incorrect income calculation based on the verified income;
- vi. 8 files had an incorrect utility allowance;

Auditors' Recommendation: The Authority should correct the deficiencies noted in the tested files to ensure proper compliance with the requirements related to tenant eligibility. Procedures should be continuously applied to ensure proper tenant management. Ongoing staff training and timely management reviews should continue to ensure staff is aware of acceptable procedures. Also, skill sets, staffing, and caseloads should be reviewed by management to ensure timely and accurate tenant management.

Action Taken:

**HCV Eligibility (12-4)**

- All tenant files will be reviewed by FYE 2013 by Housing Coordinators and HCVP Supervisor to ensure proper documentation and program requirements are met and corrected as needed. The Compliance Officer will perform quality control file inspections monthly and provide proper coaching, training, and feedback on an ongoing basis. GHA tenant file rooms has been restructured and organized to ensure efficiency and





**GAINESVILLE HOUSING AUTHORITY**  
*Where Housing Matters*

timely filing, and a proper checks and balance have been established to be monitored by the HCVP Supervisor, Compliance Officer, and the Operations Director on an ongoing basis. In addition, the tenant file checklist and the tenant file document filing has been revised in order to ensure program integrity and consistency. Housing Coordinators caseload has been reviewed and evenly distributed to date. GHA will provide ongoing training and development through HTVN, HUD, weekly staff meetings, performance reviews, etc.

All annual inspections will be captured and completed in a timely fashion by the HQS Inspectors with the new scheduling process by the HCVP Supervisor. Inspection records are now being kept in a separate tenant inspection file and will include all inspection paperwork that will include all notification letters. These files are currently being updated to ensure all paperwork is in the file for review when needed. The files will be reviewed weekly for a status on completion by the HQS Inspectors.

**12-5 Eligibility**

Low Rent Public Housing - CFDA Number 14.850

*Material Weakness - Internal Controls*

*Material Noncompliance*

Repeated from prior year (see finding 11-11)

Condition: Out of a total tenant population of approximately 610 tenants, 40 tenant files were tested and 12 files had noted exceptions as follows:

- i. 1 file did not have an annual certification within 12 months;
- ii. 4 files lacked birth certificate for adults/children in the home;
- iii. 1 file did not properly report information obtained for asset verification;
- iv. 2 files lacked 3<sup>rd</sup> party verification of income;
- v. 1 file lacked a current HUD Form 9886 for adult members in the household;
- vi. 3 files had flat rent option sheets that were signed after the effective date of the annual recertification or lacked evidence of the date that the sheet was signed;
- vii. 1 files did not include and then disallow income properly per HUD requirements and
- viii. 3 files had an incorrect income calculation based on verified income support.

Auditors' Recommendation: The Authority should correct the deficiencies noted in the tested files to ensure proper compliance with the requirements related to tenant





**GAINESVILLE HOUSING AUTHORITY**  
*Where Housing Matters*

eligibility. Procedures should be continuously applied to ensure proper tenant management.

Ongoing staff training and timely management reviews should continue to ensure staff is aware of acceptable procedures. Also, skill sets, staffing, and caseloads should be reviewed by management to ensure timely and accurate tenant management.

Action Taken:

**PH Eligibility (12-5)**

- All tenant files will be reviewed by FYE 2013 by Housing Coordinators and PH Supervisor to ensure proper documentation and program requirements are met and corrected as needed. The Compliance Officer will perform quality control file inspections monthly and provide proper coaching, training, and feedback on an ongoing basis. GHA tenant file rooms has been restructured and organized to ensure efficiency and timely filing, and a proper checks and balance have been established to be monitored by the PH Supervisor, Compliance Officer, and the Operations Director on an ongoing basis. In addition, the tenant file checklist and the tenant file document filing has been revised in order to ensure program integrity and consistency. Housing Coordinators caseload has been reviewed and evenly distributed to date. GHA will provide ongoing training and development through HTVN, HUD, weekly staff meetings, performance reviews, etc.

**12-6 Reporting**

Low Rent Public Housing - CFDA Number 14.850

Section 8 Housing Choice Voucher - CFDA Number 14.871

Capital Fund – CFDA 14.872

*Significant Deficiency - Internal Controls*

*Other matter required to be reported in accordance with OMB Circular A-133*

Repeated from prior year (see finding 11-12)

Condition: During our testing, we noted that the Authority had not completed and submitted the required HUD Form 60002, Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons, in the required time frame. We also noted the Authority did not submit the FY 2011 Section 3 Summary Report for Low Rent Public Housing.





**GAINESVILLE HOUSING AUTHORITY**  
*Where Housing Matters*

Auditors' Recommendation: We recommend that the Authority completes the required HUD forms and submits them to HUD timely. The Authority should also verify that controls are in place in order to ensure accurate and timely Section 3 reporting.

Action Taken:

**Reporting (12-6)**

- GHA will submit the Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons for FYE 2011 and 2012 and will ensure that the Section 3 Summary Report is completed in a timely manner by the Facilities Director going forward. In addition, the Compliance Officer will verify compliance with the annual reporting.

**12-7 Special Tests and Provisions - Utility Allowance**

Low Rent Public Housing - CFDA Number 14.850

Section 8 Housing Choice Voucher - CFDA Number 14.871

*Significant Deficiency - Internal Controls*

*Other matter required to be reported in accordance with OMB Circular A-133*

Repeated from prior year (see finding 11-13)

Condition: During our testing of the Section 8 Housing Choice Voucher tenant files, it was noted that the utility allowances had not been reviewed or adjusted since 2000. Furthermore, during our testing of Low Rent Public Housing tenant files, it was noted that the Authority did not properly implement the change in their utility allowance after there was an adjustment made to their utility allowance rates.

Auditors' Recommendations: The Authority needs to have a utility review performed at least annually and the Authority should update and implement the changes to the utility allowances as necessary based on the results of this review for both the Section 8 Housing Choice Voucher Program and Low Rent Public Housing.







**GAINESVILLE HOUSING AUTHORITY**  
*Where Housing Matters*

Action Taken:

**Utility Allowance (12-7)**

- GHA completed a Utility Allowance study and it was Board approved on 4/24/12, whereas all corrective implementation for both Section 8 and Public Housing programs have been put in place once it was approved.

**12-8 Special Tests and Provisions - Rent Reasonableness and Flat Rent**

Section 8 Housing Choice Voucher - CFDA Number 14.871

Low Rent Public Housing - CFDA Number 14.850

*Material Weakness - Internal Controls*

*Material Noncompliance*

Repeated from prior year (see finding 11-14)

Condition: Out of a total tenant population of approximately 1,200 vouchers for the Section 8 Housing Choice Voucher program, 40 tenant files were tested. It was noted that 13 of the tenant files did not have evidence of proper rent reasonableness procedures. It was further noted during our testing of Public Housing tenant files, that the flat rent rates currently being used by the Authority fall well below current market standards. The Authority has not conducted a review, nor has it updated the flat rent amounts that have been in place for several years.

Cause: The Authority does not have adequate systems and controls in place to ensure that the procedures for determining rent reasonableness, and flat rent rate conform to the required standards.

Auditors' Recommendations: The Authority should have a rent reasonableness and flat rent study completed and should then update the current information in their system. The Authority should implement systems and controls to ensure that the rent reasonableness and flat rate conforms to the required standards. Modifications to the process in place during fiscal year 2012 are needed to adequately provide support and tracking of the correct procedures.

Action Taken:

**Rent Reasonable & Flat Rent (12-8)**

- Rent reasonableness for Section 8 is now being performed and completed using the website GoSection8.com effective 4/30/12. This is now used for every inspection and is placed in the tenant inspection file upon





**GAINESVILLE HOUSING AUTHORITY**

*Where Housing Matters*

completion. Rent reasonableness will be monitored weekly by pulling the Completed Inspections reports in Lindsey and pulling the tenant inspection files to ensure that all rent reasonableness has been performed on all the completed inspections and placed appropriately in the files by the HCVP Supervisor and the Compliance Officer. Flat Rent was updated and Board approved effective 10/23/12. All residents on flat rent will be charged the new Board approved flat rent amount at their next scheduled annual recertification.

**12-9 Special Tests and Provisions - Unit Inspections**

Low Rent Public Housing - CFDA Number 14.850

Section 8 New Construction - CFDA Number 14.182

*Significant Deficiency - Internal Controls*

*Other matter required to be reported in accordance Michelle with OMB Circular A-133*

Repeated from prior year (see finding 11-15)

Condition: Out of a total tenant population of approximately 110 tenants for Section New Construction, 11 tenant files were tested and 2 files lacked evidence that an annual inspection was performed. Out of a total tenant population of approximately 610 tenants for Public Housing, 40 tenant files were tested and 7 files had noted exceptions as follows:

- i. 5 files lacked evidence that an annual inspection was performed; and
- ii. 2 files had an inadequate annual inspection performed and documented.

Cause: The Authority does not have adequate systems and controls in place to ensure that the procedures for performing physical inspections conform to the required standards.

Auditors' Recommendations: The Authority should implement systems and controls to adequately perform physical inspections in accordance with the required standards. Modifications to the process in place during fiscal year 2012 are needed to adequately provide support and tracking of the correct procedures.





**GAINESVILLE HOUSING AUTHORITY**  
*Where Housing Matters*

Action Taken:

**Unit Inspection (12-9)**

- GHA has hired a Housing Inspector to conduct all annual unit inspections effective July 2012 in accordance to HUD's UPCS and the proper systems have been implemented to maintain proper documentation and control of all annual inspections with the utilization of Lindsey Housing software. Inspection files have been created and maintained by the Housing Inspector for all Public Housing and New Construction units. The proper letters and unit inspection form have been created for the tenant and the tenant's file.

If the Department of Housing and Urban Development has questions regarding this plan, please call Pamela Davis, Executive Director at (352) 872-5500. The process to start correcting these issues is currently underway, and significant progress is expected for the next fiscal year end audit.

Sincerely yours,

A handwritten signature in cursive script that reads "Pamela E. Davis".

Pamela E. Davis  
Executive Director

