



(ACT) - ACTION NEEDED  
(INF) INFORMATION ONLY  
(DIS) – DISCRETIONARY  
(DISC)-DISCUSSION

**REGULAR MEETING OF THE  
HOUSING COMMISSION OF THE CITY OF NEEDLES  
WEDNESDAY, AUGUST 23, 2023 @ 4:00 P.M.  
CITY COUNCIL CHAMBERS - 1111 BAILEY AVENUE, NEEDLES**

**A G E N D A**

**THE PUBLIC MAY ATTEND AND MAY SUBMIT ANY COMMENTS IN WRITING PRIOR TO  
NOON ON THE DAY OF THE MEETING BY EMAILING [adeermer@cityofneedles.com](mailto:adeermer@cityofneedles.com)**

**TO JOIN THE LIVE TEAMS MEETING: log into the City of Needles website at  
[www.cityofneedles.com](http://www.cityofneedles.com) to access the agenda and [Click here to join the meeting](#)**

**If asked, enter the following: Meeting ID: 864 401 574#**

**OR listen in and participate by calling Teams: 1-323-488-2227 - Meeting ID: 864 401 574#  
The meetings are being recorded.**

CALL TO ORDER  
ROLL CALL  
PLEDGE OF ALLEGIANCE  
APPROVAL OF AGENDA  
CONFLICT OF INTEREST  
CORRESPONDENCE  
INTRODUCTIONS

**As a courtesy to those in attendance, we would ask that cell phones be turned off or set  
in their silent mode. Thank you.**

**PUBLIC APPEARANCE** - Persons wishing to address the Commissioners on subjects other than  
those scheduled are requested to do so at this time. When addressing the Commissioners, please  
come to the podium and give your name and address for the record. In order to conduct a timely  
meeting, a three-minute time limit per person has been established by Municipal Code Section 2-  
18. Amendments to California Government Code Sec. 54950 prohibit the Commission from taking  
action on a specific item until it appears on the agenda.

**INTRODUCTION**

- 1) Welcome & Introduction to Angelica Deermer, Housing Manager
- 2) Administer Oath of Office to newly appointed Commissioners Tamera Kissell &  
Robert Smith

**REGULAR ITEMS**

- 3) Housing Authority of the City of Needles Update
- 4) Approve the Minutes of July 19, 2023

**BOARD REQUESTS**

**CITY MANAGER REPORT**

**ADJOURNMENT**

**INTERNET ACCESS TO HOUSING COMMISSION AGENDAS AND STAFF REPORT  
MATERIAL IS AVAILABLE PRIOR TO HOUSING COMMISSION MEETINGS AT**

<http://www.cityofneedles.com>

Posted: August 18, 2023

SB 343 - DOCUMENTS RELATED TO OPEN SESSION AGENDAS - Any public record, relating to an open session agenda item, that is distributed within 72 hours prior to a meeting is available for public inspection at the Needles Administrative Office, 817 Third Street, Needles, CA 92363.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact Patrick Martinez, Assistant City Manager, at (760) 326-2113 Ext 126. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting (28 CFR 35.102-104 ADA Title II)

If a decision is made at this hearing and you later disagree with the decision, only issues raised at the public hearing or in written form at or before the public hearing can be considered.

/s/ Dale Jones, CMC, City Clerk



## City of Needles, California Request for City Council Action

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☐ CITY COUNCIL ☐ NPUA ☒ HACN ☒ Regular ☐ Special

**Meeting Date:** August 23, 2023

**Title:** Housing Authority of the City of Needles Update

**Background:** On April 25, 2023, HACN awarded the bid to Final Touch Construction for the Housing Authority Window Replacement Project. HACN owns and leases 26 duplexes consisting of 52 residential units that were constructed in the early 1950's. HACN will replace approximately 302 windows and 156 doors for a total project cost of \$449,118. The anticipated project completion date is October.

On June 29, 2023, the Housing Authority of the City of Needles submitted the audit for the June 30, 2022, fiscal year end (FYE) (Attached Exhibit A). There were three findings that required a response to the Department of Housing and Urban Development Public Housing program office. On August 8, 2023, the HACN Board of Commissioners accepted the corrective action plan for the filed audit report for FYE 2022 findings (Attached Exhibit B).

On July 12, 2023, the Housing Authority of the City of Needles (HACN) was designated Substandard by the U.S. Department of Housing and Urban Development based on a Public Housing Assessment System unaudited financial score of 0 (of 25), and overall PHAS score of 65 (of 100) for the fiscal year ending June 30, 2022 (Attached Exhibit C).

City staff is working diligently to get the audit completed by August 30, 2023, so the Housing Authority can move out of Substandard status. City Staff is drafting a Recovery Plan to submit to HUD by September 3, 2023

On July 31, 2023, Angelica Deermmer was hired as the Housing Manager for the Housing Authority of the City of Needles (Attached Exhibit D). Angelica has 20 years of experience with case management. Most recently she served as the Housing Specialist for the Mohave County Housing Authority managing 200+ units.

On August 1, 2023, HACN opened the waiting list for Section 8 Housing Choice Vouchers. This will provide an opportunity for those that are eligible to apply. The application period will close on August 30, 2023. The advertisement was placed in the Needles Desert Star.

On August 8, 2023, HACN was notified by HUD and the Department of Veteran's Affairs that it was determined to be eligible to receive an allocation of 30 HUD-VASH Vouchers (Attached Exhibit E). Veterans Affairs Supportive Housing (VASH) program combines with HUD's Housing Choice Voucher (HCV) rental assistance for homeless Veterans with case management and clinical services provided by the Department of Veterans Affairs (VA).

**Attached Exhibits:**

- Exhibit A Audit Review for Fiscal Year Ended June 30, 2022
- Exhibit B Board of Commissioners Corrective Action Plan

- Exhibit C Substandard Take Action Letter and Recovery Agreement Close-out
- Exhibit D Angelica Resume
- Exhibit E HUD-VASH Vouchers

**Fiscal Impact:** None

**Recommended Action:** Information Only

**Submitted By:** Patrick J. Martinez, Assistant City Manager/Development Services

**City Management Review:** \_\_\_\_\_ **Date:** \_\_\_\_\_

Approved: <input type="checkbox"/>	Not Approved: <input type="checkbox"/>	Tabled: <input type="checkbox"/>	Other: <input type="checkbox"/>
			Agenda Item: <u>    3    </u>

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

300 North Los Angeles Street, Suite 4054  
Los Angeles, CA 90012

**OFFICE OF PUBLIC HOUSING**

August 4, 2023

Patrick Martinez  
Executive Director  
Housing Authority of the City of Needles  
908 Sycamore Drive  
Needles, CA 92363

**SUBJECT:** Housing Authority of the City of Needles – CA022  
Audit Review for Fiscal Year Ended June 30, 2022

Dear Mr. Daniels,

On June 29, 2023, the Real Estate Assessment Center's (REAC's) Financial Assessment Subsystem (FASS) received the Housing Authority of the City of Needles audited financial data submission for the June 30, 2022 fiscal year end (FYE). The audit was conducted by Smith Marion & Company, LLP. The auditor issued three findings that requires a response to the Department of Housing and Urban Development Public Housing program office. In order to ensure the appropriate corrective action is implemented, finding 2022-001, 2022-002, 2022-003 are sustained.

**Finding 2022-001: Significant Deficiency in Internal Controls over Accounts Payable – Unrecorded Liability(s)**

The auditor reported that during the audit for the year ended June 30, 2022, it was discovered that controls over accounts payable were not operating in compliance with the required criteria. The Executive Director at the time did not properly maintain the account payable schedule. The auditor tested an amount of \$49,243.22 out of the total population \$68,794 in disbursements for the month following the fiscal year and the total of unrecorded liability amounted to \$15,970, 32% of the amount tested.

**Corrective Action Required**

It is recommended that the Housing Authority's Management and Board should develop procedures that ensure they have proper record keeping procedures over invoices from vendors. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with unrecorded liability(s), such as implementing processes, and controls to track and manage payables effectively. Regular reconciliation and timely payment practices are essential for maintaining good schedules.

**Finding 2022-002: Significant Deficiency in Internal Controls over Board Minutes – Missing Signature(s) – Repeat Finding 2021-002**

The auditor reported multiple instances where the minutes of the board meeting were not signed.

**Corrective Action Required**

It is recommended that the Housing Authority's Board develop procedures that ensure that their board minutes are properly reviewed, approved, and signed to comply with all legal and regulatory requirements, and to maintain the integrity of their record-keeping.

**Finding 2022-003: Significant Deficiency in Internal Controls over Reporting – Missed REAC Deadlines – Repeat Finding 2021-003**

The auditor reported that neither the unaudited or audited submissions for FYE June 30, 2022 had been filled on time in the REAC-FASS system.

**Corrective Action Required**

It is recommended that the Housing Authority implement the following items:

1. Develop a reporting calendar that includes all reporting deadlines
2. Assign clear responsibilities for each reporting tasks
3. Establish a reporting process that outlines the steps required to complete and submit reports
4. Provide training and resources to staff to help them understand the reporting requirements and how to prepare and submit reports
5. Monitor progress and address and issues that arise

Please submit a corrective action plan that provides more details on the procedures and processes that have been put in place to address the audit findings. Provide supporting documentation that includes any updated written policies. Please respond to the requested information no later than 30 days from the date of this letter to the following email address:

[Jameel.E.Hill@HUD.gov](mailto:Jameel.E.Hill@HUD.gov)

Jameel Hill

Financial Analyst

Los Angeles Field Office

Upon receipt, we will review your response and make further decisions or recommendations as appropriate. If you disagree with the requested corrective action and/or time frame, please respond with an explanation and documentation in support of your position. Please note that findings cannot be appealed through this process. Should you have any questions or concerns please contact Jameel Hill, Financial Analyst by email at: [Jameel.E.Hill@hud.gov](mailto:Jameel.E.Hill@hud.gov).

Sincerely,

A handwritten signature in blue ink, appearing to read 'William M. Rhodes', with a large, stylized loop at the end.

William M. Rhodes  
Division Director  
Office of Public Housing  
Los Angeles Field Office



## City of Needles, California Request for City Council Action

☒ CITY COUNCIL ☐ NPUA ☐ SARDA ☒ HACN ☒ Regular ☐ Special

**Meeting Date:** August 8, 2023

**Title:** Housing Authority auditors for fiscal year ending 06/30/23

**Background:** The accounting firm Smith Marion & Co. with Douglas Englehart as the engagement partner has done the financial audits for the Housing Authority of the City of Needles for the last four fiscal years. Transitioning to a new firm is difficult because new audit firms need to be guided through all aspects of the operations. Since the Housing Authority is a new entity for the City, it would be beneficial to have an auditing firm that is already familiar with the operations.

**Fiscal Impact:** Not to exceed \$17,408 for the FY 22-23 audit, per proposal dated 06/22/23.

**Recommendation:** Staff recommends foregoing the bid process and retaining Smith Marion & Co. for the audit of the fiscal year ending June 30, 2023.

**Submitted By:** Barbara DiLeo, Finance

**City Management Review:** Patricia G. RB

**Date:** 8/12/2023

Approved: ☐

Not Approved: ☐

Tabled: ☐

Other: ☐

Agenda Item: 9



• t: (909) 307-2323  
• 1940 orange tree lane, suite 100  
• redlands, ca 92374



## ENGAGEMENT LETTER

Thursday, June 22, 2023

Housing Authority of the City of Needles  
908 Sycamore Dr.  
Needles, CA 92363

Ladies and Gentlemen:

**This letter (Engagement Letter) confirms our understanding of our engagement to provide professional services to Housing Authority of the City of Needles.**

### OBJECTIVES AND LIMITATIONS OF SERVICES

#### Financial Statement Audit Services

You have requested that we audit the financial statements of the Covered Entities (as described in Appendix I).

We have the responsibility to conduct and will conduct an audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (GAAS), with the objective of obtaining reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to error or fraud, and issuing an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also will:

- § Identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.



- § Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Covered Entities' internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.
- § Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall financial statement presentation, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- § Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Covered Entities' ability to continue as a going concern for a reasonable period of time.

Subject to the remainder of this paragraph, we will issue a written report upon completion of our audit of the Covered Entities' financial statements addressed to the Board of Directors (Board). Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add an emphasis-of-matter paragraph or other-matter paragraph to our auditor's report, or if necessary, withdraw from the engagement. If, during the performance of our audit procedures such circumstances arise, we will communicate to the Board our reasons for modification or withdrawal.

We will not assume management responsibilities on behalf of the Covered Entities. However, we will provide advice and recommendations to assist management of the Covered Entities in performing its responsibilities.

This engagement is limited to the services previously outlined. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries. Our firm will advise management with regard to tax positions taken in the preparation of the tax return, but management must make all decisions with regard to those matters.

We may also perform certain limited procedures to the required supplementary information as required by auditing standards generally accepted in the United States of America. However, we will not express an opinion or provide any assurance on the information. Our report relating to the financial statements will include our consideration of required supplementary information.

We also understand that the financial statements may include supplementary information which is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information may be 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 with the objective of expressing an opinion as to whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.



### Internal Control over Financial Reporting and Compliance and Other Matters

We will obtain an understanding of the Covered Entities' internal control relevant to the audit in order to determine the nature, timing, and extent of our audit procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Covered Entities' internal control.

The objective of our audit of the financial statements is not to report on the Covered Entities' internal control and we are not obligated to search for material weaknesses or significant deficiencies as part of our audit of the financial statements. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Covered Entities' compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, our objective is not to provide an opinion on compliance with such provisions.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may exist and not be detected even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Also, an audit is not designed to detect matters that are immaterial to the financial statements.

### Government Auditing Standards Audit Services

You have also requested that we audit certain Covered Entities' financial statements in accordance with the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). See services section of Appendix I for Entities audited under *Government Auditing Standards*.

In accordance with *Government Auditing Standards*, we will prepare a written report (GAGAS report), on our consideration of internal control over financial reporting and tests of compliance made as part of our audit of the financial statements. This report will (1) include any material weaknesses and significant deficiencies identified during the audit; (2) include any of the following that we identify or suspect: (i) instances of noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the financial statements or other financial data significant to the audit objectives; and (ii) instances of fraud that are material, either qualitatively or quantitatively, to the financial statements or other financial data significant to the audit objectives; (3) describe its purpose and (4) state that it is not suitable for any other purpose.

In accordance with *Government Auditing Standards*, we will also communicate in writing when:

- § Identified or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements comes to our attention during the course of our audit that has an effect on the financial statements or other financial data significant to the audit objectives that is less than material but warrants the attention of those charged with governance, or



§ We obtained evidence of identified or suspected instances of fraud that have an effect on the financial statements or other financial data significant to the audit objectives that are less than material but warrant the attention of those charged with governance.

In accordance with *Government Auditing Standards*, we are also required in certain circumstances to report identified or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or instances of fraud directly to parties outside the auditee.

Pursuant to *Government Auditing Standards*, and subject to applicable provisions of laws and regulations, we are required to make appropriate individuals and certain audit documentation available in a timely manner to others, including Regulators, upon request. In addition, we may also be requested to make certain audit documentation available to Regulators pursuant to authority provided by law or regulation. If so requested, access to such audit documentation will be provided. Furthermore, Regulators may obtain copies of selected audit documentation. Such regulators may intend, or decide, to distribute the copies or information contained therein to others, including other government agencies.

In accordance with the requirements of *Government Auditing Standards*, a copy of our latest external peer review report of our firm can be obtained on our website [smcocpa.com](http://smcocpa.com) for your consideration and files.

## MANAGEMENT'S RESPONSIBILITIES

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

The management and the Board of the Covered Entities acknowledge and understand that they have responsibility for the following: (1) the preparation and fair presentation, in accordance with U.S. generally accepted accounting principles, of the financial statements and all representations contained therein; (2) the design, implementation, and maintenance of programs and controls to prevent, deter, and detect fraud; (3) for adopting sound accounting policies; (4) for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements; (5) to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud; (6) for informing us, of which it has knowledge, of all material weaknesses and significant deficiencies in the design or operation of such controls; (7) adjusting the financial statements to correct material misstatements; (8) for affirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements being reported upon, taken as a whole; (9) provide us with the following: (i) access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements and the compliance requirements applicable to its federal programs such as records, documentation, and other matters; and (ii) additional information that we may request from management for purposes of the audits; and (iii) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence; (10) identifying and ensuring that the Covered Entities comply with laws, regulations, contracts, and grant agreements applicable to its activities, and for informing us of any known instances of noncompliance or suspected noncompliance with laws, regulations and provisions of contracts and grant agreements; (11) inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued; (12) distributing the reports issued by Smith Marion.



As required by auditing standards, we will make specific inquiries of management and the Board about the representations embodied in the financial statements and the effectiveness of internal control, and obtain a representation letter from management about these matters. The responses to our inquiries, the written representations, and the results of audit tests, among other things, comprise the evidential matter we will rely upon in forming an opinion on the financial statements.

Because of the importance of management's representations to the effective performance of our services, the Covered Entities' will release Smith Marion and its personnel from any claims, liabilities, costs and expenses relating to our services under this Engagement Letter attributable to any misrepresentations in the representation letter. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss asserted, whether in contract, statute, tort (including but not limited to negligence) or otherwise.

With respect to the nonattest services we perform as described in Appendix I, management is responsible for the following: (1) making all management decisions and performing all management functions; (2) assigning a competent individual to oversee the services; (3) evaluating the adequacy of the services performed; (4) evaluating and accepting responsibility for the results of the services performed; and (5) establishing and maintaining internal controls, including monitoring ongoing activities.

Management and the Board also acknowledge and understand that they have responsibility for the preparation of the supplementary information in accordance with the applicable criteria. Management is also responsible for providing us written representations regarding the supplementary information. Management is also responsible for including our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information, and for including the audited financial statements with any presentation of the supplementary information that includes our report thereon or making the audited financial statements readily available to intended users of the supplementary information no later than the date the supplementary information is issued with our report thereon.

Management acknowledges it is responsible for providing us with written responses in accordance with *Government Auditing Standards* to the findings included in the GAGAS or single audit report. If such information is not provided on a timely basis prior to release of the report(s), the report(s) will indicate management did not provide written responses.

## **REPORTS, SERVICES, AND ASSOCIATED FEES**

Appendix I to this Engagement Letter lists the reports we will issue and the services we will provide as part of this engagement and our fees for professional services to be performed under this Engagement Letter.

In addition, fees for any special audit-related projects, such as research and/or consultation on special business or financial issues, will be billed separately from the audit fees for professional services set forth in Appendix I and may be subject to written arrangements supplemental to those in this Engagement Letter.

## **OTHER MATTERS**

Smith Marion, as an accounting firm, has an obligation to comply with applicable professional standards. Certain professional standards, including AICPA Code of Professional Conduct Section 1.700, "Confidential Client Information Rule," adopted by the American Institute of Certified Public Accountants and similar rules adopted by the boards of accountancy of many states, prohibit the disclosure of client confidential information without client



consent, except in limited circumstances. Smith Marion represents to management that Smith Marion will treat the Covered Entities' confidential information in accordance with applicable professional standards.

In an effort to facilitate efficient communication between Smith Marion and management related to the audit and to track engagement progress during the course of the engagement, Smith Marion may provide management with access to certain online tools. If such access is provided to management, they shall be responsible for: (i) its users' access and use of such tools (including the information its users may upload to such tools and compliance with all laws and regulations applicable to use or access by the Covered Entities' users outside of the United States (e.g. export control and data privacy laws and regulations)), and (ii) protecting the security of the account credentials in its possession for each user including timely informing Smith Marion when the Covered Entities' individuals' access should be removed. Management acknowledges that it shall not provide third parties (agents or contractors) with access to such tools without Smith Marion's written consent, use such tools as a system of record, nor use such tools other than for purposes of the audit engagement.

This Engagement Letter shall serve as management's authorization for the use of e-mail and other electronic methods to transmit and receive information, including confidential information, between Smith Marion and management and between Smith Marion and outside specialists or other entities engaged by either Smith Marion or management. Management acknowledges that e-mail travels over the public Internet, which is not a secure means of communication and, thus, confidentiality of the transmitted information could be compromised through no fault of Smith Marion. Smith Marion will employ commercially reasonable efforts and take appropriate precautions to protect the privacy and confidentiality of transmitted information.

Professional standards prohibit us from being the sole host and/or the sole storage for your financial and non-financial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

We agree to retain our audit documentation or work papers for a period of at least seven years from the date of our report.

Smith Marion is comprised of both certified public accountants and certain principals who are not licensed as certified public accountants. Such principals may participate in the engagements to provide the services described in this Engagement Letter. The audit documentation for this engagement is the property of Smith Marion. If Smith Marion receives a subpoena; other validly issued administrative, judicial, government or investigative regulatory demand or request; or other legal process requiring it to disclose the Covered Entities' confidential information ("Legal Demand"), Smith Marion shall, unless prohibited by law or such Legal Demand, provide prompt written notice to management of such Legal Demand in order to permit it to seek a protective order. So long as Smith Marion gives notice as provided herein, Smith Marion shall be entitled to comply with such Legal Demand to the extent required by law, subject to any protective order or the like that may have been entered in the matter. In the event Smith Marion is requested or authorized by management, or is required by law, rule, regulation or Legal Demand in a proceeding or investigation to which Smith Marion is not a named party or respondent, to produce Smith Marion's documents or personnel as witnesses or for interviews, or otherwise to make information relating to the service under the Engagement Letter available to a third party, or management, the Covered Entities shall reimburse Smith Marion for its professional time, at its then-current standard hourly rates, and expenses, including reasonable attorneys' fees and expenses, incurred in producing documents or personnel or providing information pursuant to such requests, authorizations or requirements.



## TERMINATION

Either of us may terminate this Agreement immediately if the other becomes insolvent or otherwise ceases to carry on business or commits any material breach of this agreement that is either incapable of being remedied or is not remedied within 14 days of receipt of a notice requiring the breach to be remedied.

We may terminate this agreement if (a) you fail to meet your obligations under this agreement including to pay our fees within the time specified or to provide us with adequate information; or (b) there is a change of circumstances beyond our reasonable control (such as auditor independence or regulatory related developments) that prevents us from providing the services in Appendix I to you.

If this agreement is terminated (a) you agree to pay us the fees for any work we have done and any expenses we have incurred up to the date of termination; (b) where relevant, each of us will return to the other any documents or property of the other that it has, except that we may retain one copy of all information to allow us to satisfy our professional obligations and record keeping requirements; and (c) all services will terminate immediately and no final reports outlined in Appendix I will be issued to you.

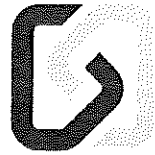
Our engagement herein is for the provision of the audit services for the periods described in Appendix I, and it does not extend to any periods for which we are not engaged as auditors.

This Engagement Letter and any exhibits, attachments and appendices hereto, and amendments thereto agreed in writing by the parties, shall constitute the entire agreement between Smith Marion and the Covered Entities with respect to the subject matter hereof and thereof, and supersede all other previous oral and written representations, understandings or agreements relating to the subject matter of this agreement.

We shall be pleased to discuss this Engagement Letter with you at any time. Please sign and return it to us to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

Respectfully,

Douglas E. Englehart, CPA, MSA | Principal  
Smith Marion & Co.,  
1940 Orange Tree Lane Suite 100  
Redlands, CA 92374



**RESPONSE:**

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of the Covered Entities by:

**Signature:** \_\_\_\_\_

**Print Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_





## **APPENDIX I**

### **REPORTS, SERVICES, AND ASSOCIATED FEES**

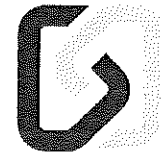
Professional standards prohibit us from performing services for audit clients where the fee for such services is contingent, or has the appearance of being contingent, upon the results of such services.

Professional standards also indicate that independence may be impaired if fees for professional services are outstanding for an extended period of time; therefore, it is important that our fees be paid promptly when billed. If a situation arises in which it may appear that our independence would be questioned because of past due unpaid fees, we may be prohibited from issuing our audit report and associated consent.

Invoices will be payable upon presentation and will be submitted monthly during the course of the engagement. Any discrepancy regarding a billing must be communicated within 10 days from the date received; otherwise, it shall be considered correct and payable. Billings become delinquent if not paid within 60 days of the invoice date. Past due accounts or invoices will incur a late payment penalty, assessed at the rate of 1.5% (18% annually) of the delinquent account balance each month, not to exceed maximum as permitted by law. Payments received on account will first be credited against any delinquency charges and then against the invoice balance. If billings are past due in excess of 60 days, we will stop work until your account is brought current or withdraw from the engagement.

Our fees are based on the anticipated cooperation from your personnel and the assumption that the accounting records are in satisfactory condition for the audit. We will schedule the engagement based in part on deadlines, working conditions, and the availability of your key personnel. We will plan the engagement based on the assumption that your personnel will cooperate and provide assistance by performing tasks such as preparing requested schedules, retrieving supporting documents, and preparing confirmations. We anticipate that when the draft report is received that management will be diligent in their review of the document and submit revisions once the review is complete. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner or more than one revision is made to the documents submitted to you for review, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate. Items that would cause additional time and an increase in fees would include, but not limited to, prior period audit adjustments not being posted and changes to the report after finalization. If we encounter unexpected circumstances, we will bring them to your attention immediately, to avoid any delays in completing the audit.

In an action or proceeding to enforce any provision of this agreement, to collect unpaid fees or secure a judgment for nonpayment of fees, the prevailing party will be awarded reasonable attorneys' fees and costs incurred in that action or proceeding or in efforts to negotiate the matter. If this matter is referred to a collection agency, we shall be entitled to recover reasonable collection agency fees incurred in the matter.



## APPENDIX I

Covered Entity(ies), their respective financial statements, and the period(s) covered by this Engagement Letter are as follows:

ENTITY NAME	FINANCIAL STATEMENTS	PERIOD(S)
Housing Authority of the City of Needles	Statement of Net Position; Statement of Revenues, Expenses, and Change in Net Position; Statement of Cash Flows; and Notes to Financial Statements.	As of and for the year ended June 30, 2023.

The engagement fees and services are as follows:

ENTITY NAME	SERVICE DESCRIPTION	SERVICE TYPE	FEE
Housing Authority of the City of Needles	Audit of financial statements	Attest	\$12,808
Housing Authority of the City of Needles	Preparation of financial statements in their entirety.	Nonattest	\$2,375
Housing Authority of the City of Needles	Preparation and IPA certification of Audited REAC submission.	Nonattest	\$1,706
Housing Authority of the City of Needles	Preparation/consulting on MDA preparation	Nonattest	\$519
Total fees			\$17,408

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redlands, ca 92374



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## **AGREED-UPON PROCEDURES (AUP) ENGAGEMENT LETTER**

Thursday, June 22, 2023

Housing Authority of the City of Needles  
908 Sycamore Dr.  
Needles, CA 92363

Ladies and Gentlemen:

**This letter (AUP Engagement Letter) confirms our understanding of our engagement to provide professional services to Housing Authority of the City of Needles (the Authority).**

### **OBJECTIVES AND LIMITATIONS OF SERVICES**

You have requested that we perform certain agreed-upon procedures (Procedures) for the Authority as set forth in Appendix II.

We have the responsibility to conduct and will conduct the Procedures in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the Procedures is solely the responsibility of PIH-REAC. Consequently, we make no representation regarding the sufficiency of the Procedures. Because the Procedures do not constitute an examination or review, we will not express an opinion or conclusion on whether the electronic submission of the items listed in the "UFRS Rule Information" column agrees with the related hard copy documents within the audit reporting package. Furthermore, an agreed-upon procedures engagement is not designed to detect instances of fraud or noncompliance with laws or regulations

Subject to the remainder of this paragraph, we will issue a written report (Report) upon completion of the Procedures listing the procedures performed and our findings. The Report is intended solely for the use of the Authority and the U.S. Department of Housing and Urban Development, REAC, and should not be used by anyone other than these specified parties. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC. Circumstances may arise in which we deem it necessary to withdraw from the engagement. If, during the performance of the Procedures such circumstances arise, we will communicate to the Board our reasons for withdrawal.

We will not assume management responsibilities. However, we will provide advice and recommendations to assist management in performing its responsibilities.

This engagement is limited to the services previously outlined. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining account coding and approving journal entries. Our firm will advise management with regard to tax positions taken in the preparation of the tax return, but management must make all decisions with regard to those matters.



## **MANAGEMENT'S RESPONSIBILITIES**

You are responsible for designing, implementing, and maintaining effective internal controls, including internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements.

You are responsible for the electronic submission of the items listed in the "UFRS Rule Information" listed in the attached schedule as of and for the year ended June 30, 2023 and that it is in accordance with the hard copy documents also listed in the attached schedule; and for selecting the criteria and determining that such criteria are appropriate for your purposes. You are responsible for providing us with (1) access to all information of which you are aware that is relevant to the performance of the agreed-upon procedure on the subject matter, (2) additional information that we may request for the purpose of performing the agreed-upon procedure, and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence relating to performing the procedure.

You agree to retain a copy of the Uniform Guidance reporting package in its entirety.

## **REPORTS, SERVICES, AND ASSOCIATED FEES**

Appendix II to this AUP Engagement Letter lists the reports and services we will provide as part of this engagement.

Our fee for these services is a flat fee defined in the audit engagement letter. That fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

In addition, fees for any special related projects, such as research and/or consultation on special business or financial issues, will be billed separately from this fee and may be subject to written arrangements supplemental to those in this AUP Engagement Letter.

## **TERMINATION**

Either of us may terminate this Agreement immediately if the other becomes insolvent or otherwise ceases to carry on business or commits any material breach of this agreement that is either incapable of being remedied or is not remedied within 14 days of receipt of a notice requiring the breach to be remedied.

We may terminate this agreement if (a) you fail to meet your obligations under this agreement including to pay our fees within the time specified or to provide us with adequate information; or (b) there is a change of circumstances beyond our reasonable control (such as auditor independence or regulatory related developments) that prevents us from providing the services in Appendix II to you.



If this agreement is terminated (a) you agree to pay us the fees for any work we have done and any expenses we have incurred up to the date of termination; (b) where relevant, each of us will return to the other any documents or property of the other that it has, except that we may retain one copy of all information to allow us to satisfy our professional obligations and record keeping requirements; and (c) all services will terminate immediately and no final reports outlined in Appendix II will be issued to you.

## OTHER MATTERS

The attest documentation for this engagement is the property of Smith Marion & Co. and constitute confidential information. However, we may be requested to make certain attest documentation available to the Secretary of Housing and Urban Development, the HUD Inspector General, and the Government Accountability Office or their representatives, pursuant to authority given to them by law or regulation. We will notify you of any such request. If requested, access to such attest documentation will be provided under the supervision of Smith Marion & Co. personnel. Furthermore, upon request, we may provide copies of selected attest documentation to HUD or the Government Accountability Office representatives. HUD and the Government Accountability Office may decide to distribute the copies or information contained therein to others, including other governmental agencies.

At the conclusion of our engagement, we will require a representation letter from management that, among other things, will confirm management's responsibility for the presentation of the electronic submission and the financial statements and supplemental information included in the Uniform Guidance reporting package.

We appreciate the opportunity to be of service and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

We very much appreciate the opportunity to serve you.

Respectfully,

Douglas E. Englehart, CPA, MSA | Principal  
Smith Marion & Co.  
1940 Orange Tree Lane Suite 100  
Redlands, CA 92373



**RESPONSE:**

The AUP Engagement Letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of Housing Authority of the City of Needles by:

**Signature:** \_\_\_\_\_

**Print Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_



## APPENDIX II

### REPORTS AND SERVICES

Period covered by AUP Engagement Letter are as of and for the year ended:

June 30, 2023

Expected reports to be issued are as follows:

Independent Auditors' Report on Applying Agreed-Upon Procedures

Services to be performed:

REAC Attest Services

Procedures: Attest as to whether the following UFRS Rule Information submitted in the HUD electronic REAC system agrees to its respective Hardcopy Documents

Procedure	UFRS Rule Information	Hardcopy Documents
1	Balance Sheet and Revenue and Expense (Data lines 111 to 13901)	Financial Data Schedule of all CFDA's, If Applicable
2	Footnotes (data element G5000-010)	Footnotes to the audited basic financial statements
3	Type of Opinion on FDS (data element G3100-040)	Auditors Report on Supplemental Data
4	Basic financial statements and auditor reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)



## City of Needles, California Request for City Council Action

☒ CITY COUNCIL ☐ NPUA ☐ SARDA ☒ HACN ☒ Regular ☐ Special

**Meeting Date:** August 8, 2023

**Title:** Housing Authority of the City of Needles audit report for the fiscal year ended June 30, 2022.

**Background:** The fiscal year ending June 30, 2022 HACN audit report has been completed by Smith Marion & Co.

Attached is the audit report for the fiscal year ended June 30, 2022.

**Fiscal Impact:** None.

**Recommendation:** Accept and file the Housing Authority of the City of Needles fiscal year ended June 30, 2022 audit report completed by Smith Marion & Co.

**Submitted By:** Barbara DiLeo, Finance Dept.

**City Management Review:** *Robert J. Myer* **Date:** 8/2/2023

Approved: ☐

Not Approved: ☐

Tabled: ☐

Other: ☐

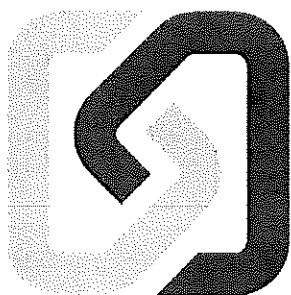
Agenda Item: 8



# ***HOUSING AUTHORITY OF THE CITY OF NEEDLES***

**The Auditors Communication with Those Charged with  
Governance**

**Year Ended June 30, 2022**



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t: (909) 307-2323  
f: (909) 825-9900  
1940 orange tree lane #100  
redlands, ca 92374



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June 27, 2023

The Governing Body of  
Housing Authority of the City of Needles

We have audited the financial statements of Housing Authority of the City of Needles ("Authority") as of and for the year ended June 30, 2022, and have issued our report thereon dated June 27, 2023.

This report summarizes our communications with those charged with governance as required by our professional standards to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process.

## REQUIRED COMMUNICATIONS

Professional standards require the auditor to provide the Governing Body (the Board or those charged with governance) with additional information regarding the scope and results of the audit that may assist the Board in overseeing the financial reporting and disclosure processes which the management of the Authority is responsible. We summarize these required communications as follows:

### AUDITORS' RESPONSIBILITIES UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES (US GAAS) AND GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS (GAGAS)

Our responsibilities are included in our audit engagement letter.

The financial statements are the responsibility of the Authority's management as prepared with the oversight of those charged with governance. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, to obtain reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. We were not engaged to perform an audit of the Authority's internal control over financial reporting.

Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we will express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.



## **INDEPENDENCE**

We are not aware of any relationships between Smith Marion & Co., and our related entities, and the Authority, or any other matters that in our professional judgment, may reasonably be thought to bear on our independence.

We confirm that we are independent with respect to the Authority within the meaning of the applicable published rules and pronouncements, its interpretations, and rulings.

## **THE ADOPTION OF, OR A CHANGE IN SIGNIFICANT ACCOUNTING POLICIES**

We determined that the Board is informed about the initial selection of, and any changes in significant accounting principles or their application when the accounting principle or its application, including alternative methods of applying the accounting principle, has a material effect on the financial statements.

There was no adoption of, or changes in significant accounting policies.

## **AUDITORS' JUDGEMENT ABOUT THE QUALITY OF THE AUTHORITY'S ACCOUNTING PRINCIPLES**

We discussed our judgment about the quality, not just the acceptability, of the Authority's accounting principles as applied in its financial reporting, including the consistency of the accounting policy and their application and the clarity and completeness of the financial statements and related disclosures.

## **SENSITIVE ACCOUNTING ESTIMATES**

Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may differ significantly from management's expectations.

We determined that the Board is informed about management's process for formulating particularly sensitive estimates and about the basis to our conclusions regarding the reasonableness of those estimates.

There were no sensitive estimates management's judgment is called upon in.

## **FINANCIAL STATEMENT DISCLOSURES**

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users.

There were no sensitive disclosures management's judgment is called upon in.

## **IDENTIFIED OR SUSPECTED FRAUD**

We are not aware of any matters that require communication. Furthermore, the Authority's management has represented to us that they were not aware of any fraud or illegal acts for the period from July 01, 2021 to June 30, 2022 (see *Management's Representation Letter*).



#### **SIGNIFICANT DIFFICULTIES ENCOUNTERED DURING THE AUDIT**

There were no serious difficulties encountered in dealing with management in performing the audit.

#### **REPRESENTATIONS REQUESTED FROM MANAGEMENT**

We have requested certain written representations from management in a separate letter dated June 27, 2023 (see *Management's Representation Letter*).

#### **UNCORRECTED MISSTATEMENTS, RELATED TO ACCOUNTS AND DISCLOSURES, CONSIDERED BY MANAGEMENT TO BE IMMATERIAL**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. The uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

#### **MATERIAL CORRECTED MISSTATEMENTS, RELATED TO ACCOUNTS AND DISCLOSURES**

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures.

As a result of our audit procedures, material misstatements were brought to the attention of management and were corrected during the current period (see *Adjusting Journal Entry Report*).

#### **DISAGREEMENTS WITH MANAGEMENT**

There were no material disagreements with the Authority's management on financial accounting and reporting matters during the audit.

#### **CONSULTATIONS WITH OTHER ACCOUNTANTS**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters (see *Management Representation Letter*).



## MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION

In the normal course of our professional association with the Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Authority's auditors.

## SIGNIFICANT RISKS IDENTIFIED

For purposes of this communication, professional standards require us to communicate to you significant risks identified during our audit.

The following significant risks were identified in our audit procedures:

**Management override of controls (*required by US GAAS*)** - Even though internal control over financial reporting (hereinafter referred to as internal controls or simply as controls) may appear to be well-designed and effective, controls that are otherwise effective can be overridden by management in every entity. Many financial statement frauds have been perpetrated by intentional override by senior management of what might otherwise appear to be effective internal controls. Because management is primarily responsible for the design, implementation, and maintenance of internal controls, the entity is always exposed to the danger of management override of controls.

**Improper revenue recognition (*required by US GAAS*)** - Revenue recognition is one of only two matters that must always, under AU-C 240 (the fraud risk standard), be considered a high-risk area, requiring expanded audit attention. Revenue recognition fraud schemes have been responsible for more investigations, restatements, and litigation against outside accountants than any other single cause. Revenue recognition is an accounting principle that asserts that revenue must be recognized as it is earned. Proper revenue recognition is imperative because it relates directly to the integrity of a company's financial reporting. The intent of the principle around revenue recognition is to standardize the revenue policies used by companies. This standardization allows external entities to easily compare the income statements of different companies in the same industry. Because revenue is one of the most important measures used by external entities to assess a company's performance, it is crucial that financial statements be consistent and credible.

**GASB 87 implementation (*new significant standard*)** - Implementation of certain new accounting standards raise substantial risk of material misstatement based on their complexity, lack of guidance, level of effort required and novelty.

Entities use a variety of leasing arrangements to stabilize cash flows and reduce risk and uncertainty. The newly issued GASB Statement 87 on leases fundamentally changes lease recognition, measurement, and related disclosures for both government lessees and lessors. The major changes outlined in GASB 87 are: (1) Leases will be classified as "short-term," "contracts that transfer ownership," and "all other."; (2) Leases that extend beyond 12 months will have a balance sheet impact on both the lessee and lessor; (3) For leases other than short-term leases and contracts that transfer ownership, the lessee will recognize an intangible right to use lease asset, and the lessor will continue to depreciate and account for the lease asset; (4) Financial statement disclosures and schedules will be required for contracts that transfer ownership and non-short-term leases; and (5) There will be no disclosure requirement for short-term lease outflows. GASB 87's provisions go into effect for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. Implementation is very time-intensive, especially for Entity's that have a number of agreements that are currently recorded as operating leases.



#### **SIGNIFICANT UNUSUAL TRANSACTIONS**

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit.

During our audit procedures, we did not become aware of significant unusual transaction that should be brought to your attention.

#### **OTHER SIGNIFICANT MATTERS, FINDINGS, OR ISSUES**

During prior audit procedures, we became aware of certain matters that should be brought to your attention. A listing of these matters is discussed in a separate report to management dated June 27, 2023 (see *Management Letter*).

#### **OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS**

We reviewed the supplemental information to the financial statements to ensure consistency with the audited financial statements.

#### **RESTRICTION ON USE**

This report is intended solely for the information and use of the individuals charged with governance, and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

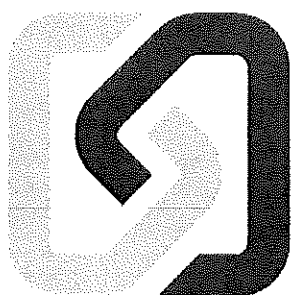
Sincerely,

Smith Marion : 

# ***HOUSING AUTHORITY OF THE CITY OF NEEDLES***

**Financial Statements and Independent Auditors' Report**

**Year Ended June 30, 2022**



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## HOUSING AUTHORITY OF THE CITY OF NEEDLES

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**HOUSING AUTHORITY OF THE CITY OF NEEDLES**

List of Principal Officials

The following table lists the Board Members as of June 30, 2022:

Chairperson.....	Darla Walters
Treasurer.....	Sheryl Porter
Officer.....	Tamera Kissell
Officer.....	Norma J Williams
Officer.....	Sharon Hartley
Tenant Commissioner.....	Zachary Lopez
Tenant Commissioner.....	Stella Brodbeck (Bernal)

In addition to the above Commissioners, the Administrator of Housing Authority of the City of Needles is Sara O' May, who served as the Executive Director.

t: (909) 307-2323  
f: (909) 825-9900  
1940 orange tree lane #100  
redlands, ca 92374



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## INDEPENDENT AUDITORS' REPORT

The Governing Body of  
Housing Authority of the City of Needles

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### OPINION

We have audited the financial statements of the business-type activities Housing Authority of the City of Needles (Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of June 30, 2022, and the changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

(1) Exercise professional judgment and maintain professional skepticism throughout the audit; (2) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements; (3) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed; (4) Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; (5) Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## REQUIRED SUPPLEMENTARY INFORMATION

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.



#### **SUPPLEMENTARY INFORMATION**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements.


The schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the financial statements.

In addition, the accompanying statement and certification of actual costs, required by the U.S. Department of Housing and Urban Development, is presented for the purpose of additional analysis and are not a required part of the basic financial statements.

That 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. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other 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, that information is fairly stated in all material respects in relation to the financial statements as a whole.

#### **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2023, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Smith Marion : 

June 27, 2023  
Redlands, CA

## **HOUSING AUTHORITY OF THE CITY OF NEEDLES**

Management's Discussion and Analysis (Required Supplemental Information – Unaudited)

June 30, 2022

The Housing Authority of the City of Needles's (Authority, we, us, our) Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of our financial activity, (c) identify changes in our financial position and its resulting ability to address the next and subsequent year challenges, and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with our financial statements.

### **FINANCIAL HIGHLIGHTS**

At the close of the most recent fiscal year, the assets of the Authority exceeded its liabilities by \$896,699 (*net position*). This amount includes \$742,126 of unrestricted net position that may be used to meet the Authority's ongoing obligations to clients and creditors.

As of June 30, 2022, the Housing Authority's operating cash balance was \$655,457, while investments totaled \$92,999.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual financial report consists of two parts: management's discussion and analysis and the basic financial statements. The Authority follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the activities and operations of the Authority. While detailed sub-fund information is not presented, separate accounts are maintained for each program of the Authority.

The financial statements include a statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows and notes to the financial statements. The statement of net position provides a record or snapshot of the assets and liabilities at the close of the fiscal year. It presents the financial position of the Authority on a full accrual historical cost basis. The statement of revenues, expenses and changes in net position presents the results of the business activities over the course of the fiscal year. The statement of cash flows is related to the other financial statements by the way it links changes in assets and liabilities to the effects on cash and cash equivalents over the course of the fiscal year. The notes to the financial statements provide useful information regarding the Authority's significant accounting policies, significant account balances and activities, certain material risks, obligations, commitments, contingencies, and subsequent events.

**HOUSING AUTHORITY OF THE CITY OF NEEDLES**  
Management's Discussion and Analysis (Required Supplemental Information – Unaudited)  
June 30, 2022

## FINANCIAL ANALYSIS OF THE AUTHORITY

### Net Position

The following table reflects the condensed Statement of Net Position compared to prior year.

	2022	2021	Change	
			Dollar	Percentage
Cash and equivalents	\$ 676,913	\$ 643,425	\$ 33,488	5.2%
Other current assets	111,926	105,776	6,150	5.8%
Total current assets	788,839	749,201	39,638	5.3%
Net capital assets	144,867	159,646	(14,779)	(9.3%)
Other non-current assets	-	-	-	0.0%
Total non-current assets	144,867	159,646	(14,779)	(9.3%)
Total assets	933,706	908,847	24,859	2.7%
Deferred outflows of resources	-	-	-	0.0%
<b>Total</b>	<b>\$ 933,706</b>	<b>\$ 908,847</b>	<b>\$ 24,859</b>	<b>2.7%</b>
Current liabilities	\$ 37,007	\$ 22,977	\$ 14,030	61.1%
Non-current liabilities	-	-	-	0.0%
Total liabilities	37,007	22,977	14,030	61.1%
Deferred inflows of resources	-	-	-	0.0%
Net investment in capital assets	144,867	159,646	(14,779)	(9.3%)
Restricted net position	9,706	10,715	(1,009)	(9.4%)
Unrestricted net position	742,126	715,509	26,617	3.7%
Total net position	896,699	885,870	10,829	1.2%
<b>Total</b>	<b>\$ 933,706</b>	<b>\$ 908,847</b>	<b>\$ 24,859</b>	<b>2.7%</b>

### Assets

Overall, there were no significant changes in any asset classes from FY22 to FY21.

Building and improvements had an addition for a new AC unit for \$6,189.

### Liabilities

Overall, there were no significant changes in any liability classes from FY22 to FY21.

# HOUSING AUTHORITY OF THE CITY OF NEEDLES

Management's Discussion and Analysis (Required Supplemental Information – Unaudited)

June 30, 2022

## Revenues, Expenses, and Changes in Net Position

The following schedule compares the revenues and expenses for the current and previous fiscal year.

	2022	2021	Change	
			Dollar	Percentage
Net rental revenue	\$ 231,342	\$ 221,703	\$ 9,639	4.3%
Operating grants and subsidies	305,277	336,194	(30,917)	(9.2%)
Other operating revenues	2,523	3,591	(1,068)	(29.7%)
Total operating revenues	539,142	561,488	(22,346)	(4.0%)
Depreciation expense	(20,968)	(20,505)	(463)	2.3%
Housing Assistance Payments	(100,107)	(104,081)	3,974	(3.8%)
Other operating expenses	(397,332)	(380,897)	(16,435)	4.3%
Total operating expenses	(518,407)	(505,483)	(12,924)	2.6%
Operating Income (Loss)	20,735	56,005	(35,270)	63.0%
Investment income	(9,906)	1,193	(11,099)	(>100%)
Interest expense	-	-	-	0.0%
Other non-operating items	-	-	-	0.0%
Income (Loss)	10,829	57,198	(46,369)	81.1%
Special items	-	-	-	0.0%
Net operating transfers	-	-	-	0.0%
Capital contributions	-	-	-	0.0%
Change in Net Position	\$ 10,829	\$ 57,198	\$ (46,369)	81.1%

## Revenues

Other operating revenue decreased by \$1k or 30% from FY21 to FY22, primarily due to a reduction in port-in voucher administrative fees. Also attributable to the decrease was a reduction in non-rent related tenant charges.

## Expenses

Other operating expenses increased by \$16.4k or 4.3% from FY21 to FY22, primarily due to an increase in ordinary maintenance and operation expenses incurred.

## CAPITAL ASSETS

As of June 30, 2022, the Authority's investment in capital assets totaled \$144,867, net of depreciation. This investment includes land, buildings, equipment, and vehicles. This amount represents a net decrease of \$14,779 or (9%) from the previous fiscal year, as a result of current year additions not exceeding the current year depreciation of \$20,968.

	2022	2021	Change	
			Dollar	Percentage
Land	\$ 2,381	\$ 2,381	\$ -	0%
Construction in progress	-	-	-	0%
Buildings and improvements	3,153,543	3,147,354	6,189	0%
Equipment and furnishings	81,618	81,618	-	0%
Accumulated depreciation	(3,092,675)	(3,071,707)	(20,968)	1%
<b>Net Capital Assets</b>	<b>\$ 144,867</b>	<b>\$ 159,646</b>	<b>\$ (14,779)</b>	<b>(9%)</b>

## DEBT ADMINISTRATION

The Authority currently carries no long-term debt.

## ECONOMIC FACTORS

Significant economic factors affecting us are as follows:

- Federal funding by the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflation, recession, and employment trends, which can affect resident incomes and therefore the amount of rental income.

## FINANCIAL CONTACT

Our financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Housing Authority's finances and to show the Housing Authority's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Executive Director Julie Bigham.



**HOUSING AUTHORITY OF THE CITY OF NEEDLES**

## Statement of Net Position

June 30, 2022

**Assets and Deferred Outflows of Resources**

Operating cash	\$ 655,457
Restricted cash	21,456
Total cash and equivalents	<u>676,913</u>
Net accounts receivable	18,927
Investments - operating	92,999
Total current assets	<u>788,839</u>
Capital assets, at cost	
Land	2,381
Buildings and improvements	3,153,543
Equipment and furnishings	81,618
Total acquisition costs	<u>3,237,542</u>
Less: accumulated depreciation	<u>(3,092,675)</u>
Net capital assets	<u>144,867</u>
Total non-current assets	<u>144,867</u>
Total assets	<u>933,706</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 933,706</u></b>

**Liabilities, Deferred Inflows of Resources, and Net Position**

Accounts payable	\$ 22,830
Deposits held in trust, contra	11,750
Accrued wages payable	173
Accrued vacations payable, current portion	2,254
Total current liabilities	<u>37,007</u>
Total liabilities	<u>37,007</u>
Net investment in capital assets	144,867
Restricted net position	9,706
Unrestricted net position	742,126
Total net position	<u>896,699</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b><u>\$ 933,706</u></b>

*See accompanying notes.*

**HOUSING AUTHORITY OF THE CITY OF NEEDLES**  
Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2022

Tenant rental revenue, net of collection losses	\$ 231,342
Operating grants and subsidies	305,277
Other revenue	<u>2,523</u>
<b>Total operating revenues</b>	<b><u>539,142</u></b>
Administrative	152,921
Tenant services	11,402
Utilities	80,167
Ordinary maintenance and operations	145,658
Protective services	600
Insurance premiums	6,584
Housing Assistance Payments	100,107
Depreciation	<u>20,968</u>
<b>Total operating expenses</b>	<b><u>518,407</u></b>
Operating income (loss)	20,735
Gain/(loss) on investments	<u>(9,906)</u>
<b>Total non-operating revenues (expenses)</b>	<b><u>(9,906)</u></b>
<b>Change in Net Position</b>	<b><u>\$ 10,829</u></b>
Net position, beginning of year	\$ 885,870
Change in net position	<u>10,829</u>
<b>Net Position, End of Year</b>	<b><u>\$ 896,699</u></b>

See accompanying notes.

# HOUSING AUTHORITY OF THE CITY OF NEEDLES

Statement of Cash Flows  
Year Ended June 30, 2022

Cash receipts from tenants	\$ 215,838
Cash receipts from grants	305,277
Cash payments for Housing Assistance Payments	(100,107)
Cash payments to suppliers for goods and services	(169,910)
Cash payments for wages and benefits	(213,992)
Other cash payments and receipts	<u>2,523</u>
Net cash from operating activities	<u>39,629</u>
Acquisition and construction of capital assets	<u>(6,189)</u>
Net cash from capital and related financing activities	<u>(6,189)</u>
Net (purchases)/proceeds of investments	<u>48</u>
Net cash from investing activities	<u>48</u>
Net change in cash and equivalents	33,488
Cash at beginning of period	<u>643,425</u>
<b>Cash at End of Period</b>	<b><u>\$ 676,913</u></b>
<i>Reconciliation of cash to the statement of net position:</i>	
Cash and equivalents - operating	\$ 655,457
Restricted cash and equivalents	<u>21,456</u>
<b>Total Cash and Equivalents</b>	<b><u>\$ 676,913</u></b>
Reconciliation of operating income (loss) to net cash from operating activities:	
Operating income (loss)	\$ 20,735
Adjustments to reconcile operating income (loss) to net cash from operating activities:	
Depreciation	20,968
Changes in operating assets and liabilities:	
Accounts receivable	(16,104)
Accounts payable	13,322
Accrued wages and benefits	108
Deposits held in trust, contra	<u>600</u>
<b>Net Cash from Operating Activities</b>	<b><u>\$ 39,629</u></b>

See accompanying notes.

## **HOUSING AUTHORITY OF THE CITY OF NEEDLES**

### Notes to Financial Statements

#### **NOTE 01 - NATURE OF BUSINESS AND ORGANIZATION**

The Housing Authority of the City of Needles (Authority) was established in 1942, under the U.S. Housing Act of 1937, and the State of California Housing Authority Law of 1938. The Authority is a nonprofit government agency which is chartered by the State of California to administer the development, rehabilitation or financial of affordable housing programs. The area of jurisdiction of the Authority is the City of Needles.

The primary mission of the Authority is to assist low and moderate-income families, including elderly and disabled persons, by operating programs which provide them decent, safe, and sanitary housing at affordable costs.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low-income housing programs in the United States. Accordingly, HUD has contracted with the Authority to administer certain HUD funds.

Our operations are comprised of the Housing Choice Voucher Program. This program is designed to aid very low-income families in obtaining decent, safe, and sanitary rental housing. We administer contracts with independent landlords that own property and rent that property to families that have applied for housing assistance. We subsidize the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable us to structure a lease that sets the participants' rent at 30% of household income.

Additionally, our operations are comprised of the Low Rent Housing Program. This program is designed to provide very low-income families in obtaining decent, safe, and sanitary rental housing. operates The Low Rent Housing Program operates the Authority's own rental housing units subsidized by HUD through an Annual Contributions Contract (ACC). Funding is provided by tenant rent payments and subsidies provided by HUD based upon a formula that takes into consideration factors such as: prior formula funding, population of the area, number of dwelling units, bedroom sizes, building height and building age, utility costs, and rental income.

The Low Rent Housing Program is supplemented by the Capital Fund Program. The purpose of this program is to utilize funds granted by HUD for remodeling and upgrading the facilities in the Low Rent Housing Program, as well as to support overall operations. These grant funds are authorized by HUD each year but can be spent over the course of several years.

#### **Reporting Entity**

As described in GASB Statement No. 34, paragraph 134, the Authority is considered a primary government and meets the definition of a Special Purpose Government ("SPG"). The Authority is a legally separate entity that is engaged in only business-type activities. Business-type activities are defined as activities that are financed in whole or in part by fees charged to external parties for goods or services. SPG's engaged only in business-type activities are required to present only the financial statements required for proprietary funds, which includes Management's Discussion and Analysis ("MD&A"), basic financial statements, and Required Supplemental Information ("RSI"). All inter-program activities have been eliminated in these financial statements.

We are an independent agency, with operations separate from those of the City of Needles (City). Our obligations, including loans through direct borrowing or the sale of bonds, are not obligations of the City. The City provides us no funding. Additionally, the City does not hold title to any of our assets, nor does it have any right to our surpluses. The City does not have the ability to exercise influence over our daily operations or approve our budgets.

**NOTE 02 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Accrual Basis of Accounting**

The financial statements are presented using the accrual basis of accounting with an economic resources measurement focus. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. As permitted by accounting principles generally accepted in the United States of America (GAAP), the Authority has elected to apply all relevant Government Accounting Standards Board (GASB) pronouncements.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from grant agreements, providing services, and producing and delivering goods in connection with the ongoing principal operations. The principal operating revenues of the Authority include program specific grants, rental income from tenants of the various housing projects. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Estimates**

The preparation of financial statements in conformity with Generally Accepted Accounting Principles as applied to governmental units requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, demand deposits at financial institutions, investments in Money Market funds, and Certificates of Deposit.

**Restricted Cash**

Restricted cash consists of cash set aside by HUD for the Housing Choice Voucher Program, reserves, and escrows, as well as other cash and investments that are restricted for specific purposes.

**Accounts Receivable from Tenants**

Accounts receivable consists of all amounts earned at year end and not yet received. Allowances for uncollectible accounts are based upon historical trends and periodic aging of accounts receivable.

In accordance with Governmental Accounting Standards Board Statement No. 34, revenues in proprietary funds should be reported as net of all related allowances, which include amounts pertaining to uncollectible accounts. Therefore, the increase and decrease in the estimate of uncollectible accounts should be reported net of revenue instead of bad debt expense. The Authority reported no bad debt expense for the year ended June 30, 2022.

**Capital Assets**

Capital assets purchased or acquired with an original cost of \$1,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation of exhaustible capital assets is charged as an expense against operations utilizing the straight-line method. Accumulated depreciation is reported on the Statement of Net Position.

## HOUSING AUTHORITY OF THE CITY OF NEEDLES

### Notes to Financial Statements

The estimated useful lives for each major class of depreciable fixed assets are as follows:

Building .....	20 - 50 years
Vehicles and other equipment .....	5 - 7 years
Computers .....	5 years

#### Impairment of Capital Assets

The Authority reviews its capital assets for impairment whenever events or changes in circumstances indicate that there has been a decline in service utility that is large in magnitude and outside of the normal life cycle of the capital asset being evaluated. As of June 30, 2022, there has been no impairment of the capital assets.

#### Tenant Security Deposits

Security deposits consist of amounts held in trust with the Authority in order for tenants to secure apartment leases.

#### Compensated Absences

Compensated absences are absences for which employees will be paid, i.e., vacation and other approved leaves, with the exception of those employees that are terminated on grounds of gross misconduct. The Authority accrues the liability for those absences for which the employee has earned the rights to the benefits. Accrued amounts are based on the current salary rates.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority currently does not have any items that qualify for reporting in this category.

#### Unearned Revenue

Unearned revenues, if any, consist of rental payments made by tenants in advance of their due date, and rental supplements to be paid to owners of private dwellings during the first month of the next fiscal year.

#### Income Taxes

The Authority is not subject to federal or state income taxes.

#### Leasing Activities

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

## **HOUSING AUTHORITY OF THE CITY OF NEEDLES**

### Notes to Financial Statements

#### Net Position

In the statement of net position, equity is classified as net position and displayed in three components: (1) Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any notes or other borrowings attributable to those capital assets. (2) Restricted net position consists of assets with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation. (3) Unrestricted net position – All other assets that do not meet the definition of “restricted” or “net investment in capital assets”.

When both restricted and unrestricted net positions are available for use, generally it is our policy to use restricted resources first.

#### Fair Value Measurements

Generally Accepted Accounting Principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs that have the lowest priority and consist of unobservable inputs for an asset or liability. The Authority’s investments have been measured using Level 1 inputs.

#### Investment Policy

Our investment policy, HUD and the California Government Code do not address legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposit made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure such deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

#### Authorized Investments

Investments of the Authority are limited to investment types prescribed by HUD in PIH Notice 1996-33 or as amended by future HUD notices.

Additionally, the Authority limits investment types to those that are authorized in accordance with Section 53601 of the California Government Code.

#### Subsequent Events

We evaluated subsequent events through June 30, 2022, the date these financial statements were issued.

Subsequent to year end, the City of Needles City Council assumed the Board of Commissioners role for the Authority by passage of a City Resolution on February 15, 2023, in accord with the California Health and Safety Code section 34290. As a result, the Authority will be considered a component unit of the City.

# HOUSING AUTHORITY OF THE CITY OF NEEDLES

## Notes to Financial Statements

### NOTE 03 - RESTRICTED CASH

Restricted cash was comprised of the following as of yearend:

Tenant security deposits	\$ 11,750
Restricted cash with offsetting liabilities	<u>11,750</u>
Cash balances associated with the HCV HAP equity	9,706
Restricted cash reflected in restricted net position	<u>9,706</u>
<b>Total Restricted Cash and Equivalents</b>	<b><u>\$ 21,456</u></b>

### NOTE 04 - ACCOUNTS RECEIVABLE

The following provides a breakdown of accounts receivables as of yearend:

Receivables from HUD	\$ 79
Tenant receivables	17,524
Allowance for doubtful accounts - tenants	<u>(70)</u>
Net tenant receivables	<u>17,454</u>
Fraud recovery receivables	1,394
Net fraud recovery receivables	<u>1,394</u>
<b>Net Accounts Receivable</b>	<b><u>\$ 18,927</u></b>

### NOTE 05 - CAPITAL ASSETS

A summary of the Capital Asset activity for the year ended June 30, 2022, is provided below:

	6/30/21	Additions	Deletions	6/30/22
<b>Non-Depreciable</b>				
Land	\$ 2,381	\$ -	\$ -	\$ 2,381
	<u>2,381</u>	<u>-</u>	<u>-</u>	<u>2,381</u>
<b>Depreciable</b>				
Buildings and improvements	3,147,354	6,189	-	3,153,543
Equipment and furnishings	81,618	-	-	81,618
	<u>3,228,972</u>	<u>6,189</u>	<u>-</u>	<u>3,235,161</u>
Total acquisition costs	3,231,353	6,189	-	3,237,542
Accumulated depreciation	<u>(3,071,707)</u>	<u>(20,968)</u>	<u>-</u>	<u>(3,092,675)</u>
<b>Net Capital Assets</b>	<b><u>\$ 159,646</u></b>	<b><u>\$ (14,779)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 144,867</u></b>

All land and buildings of the Public Housing Program are encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the federal government and to protect other interests of the federal government.



## HOUSING AUTHORITY OF THE CITY OF NEEDLES

### Notes to Financial Statements

#### NOTE 06 - NET POSITION

Net investment in capital assets as of yearend consists of the following:

Land	\$ 2,381
Buildings and improvements	3,153,543
Equipment and furnishings	81,618
Less:	
Accumulated depreciation	<u>(3,092,675)</u>
<b>Net Investment in Capital Assets</b>	<b><u>\$ 144,867</u></b>

Restricted net position as of yearend consists of the following:

Restricted cash and equivalents	\$ 21,456
Less:	
Tenant security deposit, contra	<u>(11,750)</u>
<b>Restricted Net Position</b>	<b><u>\$ 9,706</u></b>

#### NOTE 07 - PENSION PLAN

The Authority contributes to the Aergon Transamerica Annuity Retirement Plan, a defined contribution pension plan, for its full-time employees.

Benefit terms, including contribution requirements, for Authority are established and may be amended by the Needles Housing Authority Board of Commissioners. For each employee in the pension plan, the Authority is required to contribute 10 percent of their annual salary, exclusive of overtime pay to an individual employee account. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits. For the year ended June 30, 2022, employee contributions totaled \$0, and the Authority recognized pension expense of \$8,064.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Authority contributions and earnings on Authority contributions after completion of 12 months of creditable service with the Authority. There are no non-vested contributions made by the Authority and therefore no forfeitures.

The Authority has made all required contributions for the year ended June 30, 2022. There are no liabilities related to the pension contributions.

**NOTE 08 - BUSINESS RISKS AND CONCENTRATIONS**

*Concentration – Major Contributor*

For the year ended June 30, 2022, approximately 58% of operating revenues reflected in the financial statements are from HUD. The Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress, or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related costs and the additional administrative burden to comply with the changes.

*Risk Management*

The Authority is exposed to various risk of losses related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. There were no claims in excess of commercial coverage during the previous three years. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2022, there were no liabilities to be reported.

As of June 30, 2022, the Authority was a participating member of the Housing Authorities Risk Retention Pool (HARRP), a risk-management pool, which provides the following coverage: property; general liability; official's liability; auto liability; employee liability for dishonesty or forgery; and employee liability for theft, disappearance and destruction.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Our policy is to manage this exposure to declines in fair values by limiting the weighted average maturity of its investments portfolio.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is our 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.

*Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, our deposits may not be returned. Our policy for custodial credit risk requires collateral to be held in our name by its agent or by the bank's trust department.

**NOTE 09 - CONTINGENCIES AND COMMITMENTS**

*Government Examinations*

The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the Authority in the current and prior years.

*Construction Contracts*

During the normal course of business, the Authority is engaged in various construction contracts for rehabilitation and modernization of various properties owned by the Authority.

# HOUSING AUTHORITY OF THE CITY OF NEEDLES

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

Program Title	ALN	Cluster Title	Award Type	Pass-Through No.	Expenditures	Amounts Passed Through to Sub-
Section 8 Housing Choice Vouchers	14.871	HVC	Direct		\$ 120,249	\$ -
COVID-19 Section 8 Housing Choice Vouchers	14.871	HVC	Direct		3,298	-
<i>Total Section 8 Housing Choice Vouchers</i>					<u>123,547</u>	<u>-</u>
Public and Indian Housing	14.850		Direct		149,251	-
COVID-19 Public and Indian Housing	14.850		Direct		32,479	-
<i>Total Public and Indian Housing</i>					<u>181,730</u>	<u>-</u>
<b>Total Federal Financial Assistance</b>					<u><b>\$ 305,277</b></u>	<u><b>\$ -</b></u>
<i>Federal Grantor:</i>						<b>Expenditures</b>
US Department of Housing and Urban Development						<u>\$ 305,277</u>
<b>Total Federal Financial Assistance</b>						<u><b>\$ 305,277</b></u>
<i>Cluster Title:</i>						<b>Expenditures</b>
Housing Voucher Cluster						<u>\$ 123,547</u>
<i>Award Type:</i>						<b>Expenditures</b>
Direct						<u>\$ 305,277</u>
<b>Total Federal Financial Assistance</b>						<u><b>\$ 305,277</b></u>

### NOTE 01 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of the Authority under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of our operations, it is not intended to and does not present our financial position, changes in net positions, or cash flows.

### NOTE 02 - INDIRECT COST RATE

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

**HOUSING AUTHORITY OF THE CITY OF NEEDLES**

Statement and Certification of Actual Costs

June 30, 2022

1. The Actual Costs of the Authority was as follows:

Grant	Funds Approved	Funds Disbursed	Funds Expended	Balance
CA16P022501-18	\$ 119,358	\$ -	\$ -	\$ 119,358
CA16P022501-19	\$ 123,997	\$ -	\$ -	\$ 123,997
CA16P022501-20	\$ 133,733	\$ -	\$ -	\$ 133,733
CA16P022501-21	\$ 138,738	\$ -	\$ -	\$ 138,738
CA16P022501-22	\$ 169,829	\$ -	\$ -	\$ 169,829

2. The distribution of costs as shown on the Financial Statement of Costs accompanying the Actual Cost Certificate submitted to HUD for approval, is in agreement with the Authority's records.
3. For the above completed grants, all costs have been paid and all related liabilities have been discharged through payment.

t: (909) 307-2323  
f: (909) 825-9900  
1940 orange tree lane #100  
redlands, ca 92374



smithmarion  
connected . focused . understandable

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

To the Governing Body of  
Housing Authority of the City of Needles

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the City of Needles (Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 27, 2023.

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item(s) 2022-001, 2022-002, 2022-003, that we consider to be significant deficiencies.



## REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying *schedule of findings and questioned costs* as item(s) 2022-003.

## AUTHORITY'S RESPONSE TO FINDINGS

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Their response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## PURPOSE OF THIS REPORT

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

Smith Marion : Cb.

June 27, 2023  
Redlands, CA

## HOUSING AUTHORITY OF THE CITY OF NEEDLES

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

### SECTION I - SUMMARY OF AUDITOR'S RESULTS

#### Financial Statements:

- |  |   |  |
|--|---|--|
| 1. Type of Auditor Report on the financial statements:                                       | <div style="border: 1px solid black; padding: 2px; display: inline-block;">Unmodified</div> |  |
| 2. Internal control over financial reporting:  |   |  |
| a. Material weakness(es) identified?   | <div style="border: 1px solid black; padding: 2px; display: inline-block;"></div> Yes       | <div style="border: 1px solid black; padding: 2px; display: inline-block;">x</div> No        |
| b. Significant deficiency(ies) identified that are not considered to be material weaknesses? | <div style="border: 1px solid black; padding: 2px; display: inline-block;">x</div> Yes      | <div style="border: 1px solid black; padding: 2px; display: inline-block;"></div> None noted |
| 3. Noncompliance material to financial statements?   | <div style="border: 1px solid black; padding: 2px; display: inline-block;"></div> Yes       | <div style="border: 1px solid black; padding: 2px; display: inline-block;">x</div> No        |

### SECTION II – FINANCIAL STATEMENT FINDINGS

#### Finding 2022-001

##### ***Significant Deficiency in Internal Controls over Accounts Payable – Unrecorded Liability(s)***

**Criteria:** Accounting principles generally accepted in the United States of America (GAAP) under the accrual basis of accounting method, requires expenses to be recorded at the time liabilities are incurred.

**Condition and Context:** During the audit for the year ended June 30, 2022, it was discovered that controls over accounts payable were not operating in compliance with the above stated criteria. The executive director at the time did not properly maintain the account payable schedule. We tested an amount of \$49,243.22 out of the total population \$68,974 in disbursements for the month following the fiscal year and the total of unrecorded liability amounted to \$15,970, 32% of the amount tested. If projected to the whole population, we estimate an error of \$22,369, which may materially affect the financial statements.

**Effect or Potential Effect:** Unrecorded liabilities significantly affect a company's financial position leading to an understatement of expenses and understatement of liabilities.

**Cause:** Insufficient oversight and supervision of accounts payable processes lead to errors and inconsistencies. This led to expenses to not being recorded at the time they were incurred.

**Recommendation:** Management and the Board should develop procedures that ensure they have proper record keeping procedures over invoices from vendors. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with unrecorded liability(s), such as implementing processes, and controls to track and manage payables effectively. Regular reconciliation and timely payment practices are essential for maintaining good schedules.

**Views of Responsible Official(s):** Management agrees with the finding and have outlined a plan of action in the Corrective Action Plan section of this report.

## **HOUSING AUTHORITY OF THE CITY OF NEEDLES**

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2022

### **Finding 2022-002**

#### ***Significant Deficiency in Internal Controls over Board Minutes – Missing Signature(s)***

**Criteria:** California Government Code Section 54953: This law requires local government bodies, such as city councils and school boards, to keep minutes of their meetings.

The Public Housing Program (24 CFR Part 903) require public housing agencies to keep minutes of their board meetings, which must include certain information such as the date, time, location, and actions taken at the meeting. These minutes must be made available for public inspection and kept on file for at least three years.

The Housing Choice Voucher Program (24 CFR Part 982) require public housing agencies to keep records of all board meetings, including any resolutions, motions, or other official actions taken. These records must be retained for at least six years.

To ensure the authenticity and accuracy of the minutes, it is customary for the minutes to be signed by the person who presided over the meeting (usually the chairperson) and the person who recorded the minutes (usually the secretary or a designated note-taker).

By signing the minutes, the participants acknowledge that they have reviewed and approved the accuracy of the minutes. This also helps to establish the official record of what was discussed and agreed upon during the meeting, which can be important in legal disputes or audits. Additionally, signing the minutes can help to discourage any unauthorized changes or alterations to the record.

**Condition and Context:** We noted multiple instances where the minutes of the board meeting were not signed.

**Effect or Potential Effect:** Not signing board minutes can have negative effects and consequences for an organization, including: (1) Lack of Authenticity: The signature of the presiding officer and the secretary on the minutes indicates that they have reviewed and approved the accuracy of the minutes. Without their signatures, the authenticity of the minutes can be called into question, which may lead to challenges or disputes about what was discussed or agreed upon during the meeting; (2) Legal Implications: Board minutes may be used as evidence in legal proceedings, such as in the case of a shareholder lawsuit or an audit by a regulatory agency. If the minutes are not signed, it may be more difficult to establish their authenticity and accuracy in court; (3) Compliance Issues: In some cases, not signing board minutes may be a violation of legal or regulatory requirements. For example, California Corporations Code Section 8320 requires corporations to keep minutes of meetings of the board and committees of the board, and failure to comply with this requirement can result in penalties or fines; and (4) Risk of Alterations: Without signatures, the minutes may be more susceptible to alterations or changes, either intentionally or accidentally. This can undermine the integrity of the minutes and lead to confusion or disputes about what actually occurred during the meeting.

**Cause:** The Executive Director at the time the minutes were recorded was solely responsible for signing them. The ED was continually absent, leaving many essential duties incomplete.

**Identification of a Repeat Finding:** This finding was identified in the prior year audit as 2021-002.

**Recommendation:** The Auditor recommends that the Board develop procedures that ensure that their board minutes are properly reviewed, approved, and signed to comply with all legal and regulatory requirements, and to maintain the integrity of their record-keeping.

**Views of Responsible Official(s):** Management agrees with the finding and have outlined a plan of action in the Corrective Action Plan section of this report.



## HOUSING AUTHORITY OF THE CITY OF NEEDLES

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

### Finding 2022-003

#### ***Noncompliance and Significant Deficiency in Internal Controls over Reporting – Missed REAC Deadlines***

**Criteria:** The Uniform Financial Reporting Standards (UFRS), at 24 CFR 5.801, require Authorities to file an audited submission to the Real Estate Assessment Center (REAC) no later nine months after fiscal year end.

**Condition and Context:** During the audit for the year ended June 30, 2022, we noted that neither the unaudited nor the audited REAC submissions had been filed.

**Effect or Potential Effect:** Failure to report timely can have several negative effects, including: (1) Loss of funding: Non-compliance with federal grant requirements can result in the loss of future funding opportunities or even the revocation of existing funding; (2) Damage to reputation: Failure to comply with federal grant requirements can damage the organization's reputation and lead to a loss of public trust; (3) Audit findings: Non-compliance can result in increased scrutiny and potential sanctions from grantor agencies; and (4) Delayed funding: Failure to timely report financial information can delay the release of future grant funds.

**Cause:** The Executive Director at the time was solely responsible for submitting the information to REAC and coordinating the audit. The ED was continually absent, leaving many essential duties incomplete.

**Identification of a Repeat Finding:** This finding was identified in the prior year audit as 2021-003.

**Recommendation:** To correct the issue of missing reporting deadlines, the Auditor has the following recommendations: (1) Develop a reporting calendar: Create a reporting calendar that includes all reporting deadlines, the required documents, and the person responsible for submitting the reports. The calendar should be shared with all relevant staff and regularly updated; (2) Assign clear responsibilities: Assign clear responsibilities for each reporting task and ensure that staff understand their roles and deadlines. Consider designating a point person to oversee the reporting process and monitor progress; (3) Establish a reporting process: Develop a reporting process that outlines the steps required to complete and submit reports, including who needs to be involved, what information is needed, and how the report will be reviewed and approved; (4) Provide training and resources: Provide training and resources to staff to help them understand the reporting requirements and how to prepare and submit reports. This can include training sessions, webinars, and written guidance; and (5) Monitor progress and address issues: Regularly monitor progress and address any issues that arise. If deadlines are missed, determine the cause, and develop strategies to prevent similar issues in the future.

**Views of Responsible Official(s):** Management agrees with the finding and have outlined a plan of action in the Corrective Action Plan section of this report.

# THE HOUSING AUTHORITY OF THE CITY OF NEEDLES, CALIFORNIA

908 Sycamore Drive • Needles, California 92363  
Telephone (760) 326-3222 • Fax (760) 326-2741 • TDD (760) 326-5868  
nha@citlink.net

## CORRECTIVE ACTION PLAN

*Name of auditee:* Housing Authority of the City of Needles

*Name of audit firm:* Smith Marion and Co. Inc.

*Period covered by the audit:* Year Ended June 30, 2022

CAP Prepared by

*Name:* Julie Bigham

*Position:* Executive Director

*Telephone Number:* (760) 326-3222

Current Findings on the Schedule of Findings, Questioned Costs, and Recommendations.

Finding 2022-001

a. Comments on the Finding and Each Recommendation:

The Authority concurs with the finding.

b. Action(s) Taken or Planned on the Finding:

The Executive Director overseeing this process resulting in the finding has since been replaced. A process is now in place to ensure that the accounts payable aging report is accurate and updated properly for all invoices sent to the Authority.

Finding 2022-002

a. Comments on the Finding and Each Recommendation:

The Authority concurs with the finding.

b. Action(s) Taken or Planned on the Finding:

The Executive Director overseeing this process resulting in the finding has since been replaced. A process is now in place to ensure that board minutes are signed in a timely manner.

# THE HOUSING AUTHORITY OF THE CITY OF NEEDLES, CALIFORNIA

908 Sycamore Drive • Needles, California 92363  
Telephone (760) 326-3222 • Fax (760) 326-2741 • TDD (760) 326-5868  
nha@citlink.net

c. Status of Corrective Actions on Findings Reported in the Prior Audit Schedule of Findings, Questioned Costs, and Recommendations.

Corrective action on this finding is enforced starting as of December 2022. Former Executive Director was in office during the audit period and was responsible for signing the board minutes. They remained in office until Julie Bigham assumed position of Executive Director in December 2022. This issue might appear for upcoming fiscal year 2023 audit, but only until December 2022.

## Finding 2022-003

a. Comments on the Finding and Each Recommendation:

The Authority concurs with the finding.

b. Action(s) Taken or Planned on the Finding:

The Executive Director overseeing this process resulting in the finding has since been replaced. A process is now in place to ensure that the required REAC submissions are completed in a timely manner.

c. Status of Corrective Actions on Findings Reported in the Prior Audit Schedule of Findings, Questioned Costs, and Recommendations.

Corrective action on this finding is enforced starting as of December 2022. Former Executive Director Sara O' May was in office during the audit period and was responsible for REAC submissions to be filed in a timely manner. Julie Bigham understands the importance of REAC submissions being done on time and will enforce this for upcoming submission.

**HOUSING AUTHORITY OF THE CITY OF NEEDLES**

Status of Prior Audit Findings  
Year Ended June 30, 2022

**Financial Statement Findings:**

Prior Year Findings No.	Findings Title	Status/Current Year Finding No.
2021-001	Significant Deficiency in Internal Controls over Cash Disbursements - Missing Invoice(s)	Resolved
2021-002	Significant Deficiency in Internal Controls over Board Minutes - Missing Signature(s).	Repeat/2022-002
2021-003	Noncompliance and Significant Deficiency in Internal Controls over Financial Reporting - Missed REAC Deadlines	Repeat/2022-003
2021-004	Significant Deficiency in Internal Controls over Financial Reporting - Bank Reconciliations	Resolved

**Federal Award Findings and Question Costs:**

Prior Year	Findings Title	Status/ Current Year
N/A	There were no prior findings reported.	N/A

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT**

300 North Los Angeles Street, Suite 4054  
Los Angeles, CA 90012

**OFFICE OF PUBLIC HOUSING**

August 4, 2023

Board of Commissioners  
c/o Janet Jernigan, Chair  
Housing Authority of the City of Needles  
908 Sycamore Drive  
Needles, CA 92363

Re: Substandard Take Action Letter and Recovery Agreement Close-out

Dear Commissioners:

On July 12, 2023, the Housing Authority of the City of Needles (HACN) was designated Substandard by HUD based on a Public Housing Assessment System unaudited financial score of 0 (of 25), and overall PHAS score of 65 (of 100) for the fiscal year ending June 30, 2022, as shown in the enclosed PHAS Score Report. This score demonstrates the HACN's recovery from its Troubled designation on February 23, 2023, for the fiscal year ending June 30, 2022. Thank you for your efforts and cooperation in this achievement. The Department of Housing and Urban Development (HUD) expects HACN to continue to improve its performance. Although your PHAS score improved, the new score designation is Substandard.

The purpose of this letter is twofold: first, this letter provides notice that the governing body of the HACN should continue recovery efforts to improve its PHAS score and ensure long-term sustainability at an acceptable level of performance. Second, this letter closes out the HACN's previously executed recovery agreement, dated March 22, 2023. No further reporting is required relating to that document.

The following list of actions is offered to the governing body to use in self-diagnosing the source(s) of deficiencies and identifying solutions to recover its performance for long-term sustainability.

**Financial**

Typically, when a public housing agency becomes financially substandard, it must either: (1) increase revenue; (2) decrease expenses; or (3) implement a combination of both.

**Revenue**

- Evaluate tenant screening, lease enforcement, and rent collection policies and actions to increase tenant rental revenue.
- Consider establishing or raising minimum rents.

- Consider obtaining approval from HUD to sell non-performing Public Housing property or non-residential property covered under a HUD Declaration of Trust.
- Consider selling unencumbered property.
- Consider obtaining supplemental funding from State or local government agencies to cover budget deficits and cost overruns of its Public Housing or non-federal programs.
- Consider reducing the scope of non-federal programs to operate within their financial means.
- <Determine whether all portability revenue is being collected from the issuing public housing agencies in the Housing Choice Voucher program.>

## Expenses

- Consider reducing salaries and employee benefits to levels that stay within budget parameters.
- Consider reducing management and line staffing levels.
- Evaluate utility consumption, energy policies, and consider implementation of energy conservation measures and agreements to reduce energy costs.
- Evaluate all existing contracts for cost and necessity.
- Evaluate and re-price insurance costs.
- Evaluate the need and usage of fleet vehicles.
- Consider contracting property management or maintenance of Public Housing to another entity or public housing agency.

## Financial Late Presumptive Failure

A financial Late Presumptive Failure typically results from: (1) failure of a public housing agency to prepare financial statements and submit them timely; (2) failure of a public housing agency to procure and oversee an independent auditor timely and properly; or (3) for a public housing agency that is a component of local government, local regulatory or statutory obstacles.

## Financial Statement Preparation and Submission

- Evaluate management/staff ability to prepare financial statements.
- Consider procuring a fee accountant to prepare financial statements.
- Confirm that the Board receives and approves financial statements timely and in advance of regulatory deadlines.
- Verify that staff are correctly identified in and have access to HUD systems.

## Audit Procurement and Oversight

- Evaluate the solicitation and procurement process for the independent auditor.
- Confirm that the independent auditor's contract allows sufficient time between the notice to proceed and the regulatory deadline for submission.
- Evaluate staff's oversight of the independent auditor's contract to ensure that contract

requirements and deadlines are being met.

#### Regulatory and Statutory Obstacles

- Identify any local and State requirements that may be impacting the public housing agency's ability to complete its audit timely.
- Determine if the public housing agency's audit is a component part of a larger local or State audit.
  - Determine whether the amount of funding to the public housing agency meets the local or State thresholds for inclusion.
  - Determine if the local or State audit timelines are compatible with the HUD's requirements for submission.
  - Consider requesting an exception to local and State requirements to allow the public housing agency to submit its own audit.

**Please provide our office with a copy of your updated recovery plan within 30 days of the receipt of this letter.** Please also be advised that if deficiencies are not sufficiently resolved within 90 days of the substandard designation, HUD may initiate actions to develop a Corrective Action Plan for AHA, as permitted by 24 CFR Part 902.73, to document and ensure that recovery efforts have been put in place and continue to be in effect. If you have any questions or need assistance in developing your plan, please contact Alicia Salcido, Portfolio Management Specialist, at [Alicia.E.Salcido@hud.gov](mailto:Alicia.E.Salcido@hud.gov).

Sincerely,



William M. Rhodes  
Division Director  
Office of Public Housing

Enclosure  
PHAS Score Report  
Notice PIH 2015-16

Cc:  
Patrick Martinez, Executive Director  
Housing Authority of the City of Needles  
[pmartinez@cityofneedles.com](mailto:pmartinez@cityofneedles.com)



# U.S. Department of Housing and Urban Development

OFFICE OF PUBLIC AND INDIAN HOUSING  
REAL ESTATE ASSESSMENT CENTER

## Public Housing Assessment System (PHAS) Score Report for Interim

Report Date: 07/12/2023

PHA Code:	CA022
PHA Name:	Housing Authority of the City of Needles
Fiscal Year End:	06/30/2022

PHAS Indicators	Score	Maximum Score
Physical	33	40
Financial	0	25
Management	22	25
Capital Fund	10	10
Late Penalty Points	0	
<b>PHAS Total Score</b>	<b>65</b>	<b>100</b>
<b>Designation Status:</b>	<b>Substandard Financial</b>	
Published 05/25/2023	Initial published	02/23/2023

Financial Score Details	Score	Maximum Score
1. FASS Score before deductions	25.00	25
2. Audit Penalties	0.00	
Total Financial Score Unrounded (FASS Score - Audit)	25.00	25

Capital Fund Score Details	Score	Maximum Score
Timeliness of Fund Obligation:		
1. Timeliness of Fund Obligation %	90.00	
2. Timeliness of Fund Obligation Points	5	5
Occupancy Rate:		
3. Occupancy Rate %	96.15	
4. Occupancy Rate Points	5	5
Total Capital Fund Score (Fund Obligation + Occupancy Rate):	10	10

### Notes:

1. The scores in this Report are the official PHAS scores of record for your PHA. PHAS scores in other systems are not to be relied upon and are not being used by the Department.
2. Due to rounding, the sum of the PHAS indicator scores may not equal the overall PHAS score.
3. "0" FASS Score indicates a late presumptive failure. See 902.60 and 902.92 of the Interim PHAS rule.
4. "0" Total Capital Fund Score is due to score of "0" for Timeliness of Fund Obligation. See the Capital Fund
5. PHAS Interim Rule website - <http://www.hud.gov/offices/reac/products/prodphasintrule.cfm>





U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-5000

OFFICE OF PUBLIC AND INDIAN HOUSING

August 8, 2023

Richard Daniels  
Housing Authority City of Needles  
817 Third Street  
Needles, CA 92363

Dear Executive Director:

Thank you for your submission in response to Notice PIH 2023-09: HUD-VASH Mid-Year Registration of Interest for HUD-VASH Vouchers. The Department of Housing and Urban Development (HUD), in collaboration with the Department of Veteran's Affairs (VA), has reviewed your submission and is pleased to inform you that your agency is determined to be eligible to receive an allocation of HUD-VASH vouchers. Therefore, the Department invites your PHA to formally request the number of Fiscal Year 2023 HUD-VASH vouchers listed in the chart below. The number of vouchers offered reflects the maximum number of vouchers your PHA may apply for based on the formula established by the Department. These vouchers are to be administered in conjunction with the VA facility listed below.

PHA	Partnering VA Facility	Number of Vouchers
CA022	Loma Linda	30

**Process for completing the application and receiving FY2023 HUD-VASH (Mid-Year) awards:**

- 1. Complete the first page** of the DocuSign copy of form HUD-52515, **Attachment A**, to this letter. In **Section C**, under "Number of Vouchers Requested," enter the number of HUD-VASH vouchers that your agency is accepting. This number cannot exceed the number of vouchers listed in the table above.
  - The form must also have the agency's name, address and PHA Code on page 1 (Sections A and B). It must also provide the official signature of the Executive Director of your agency, or the Executive Director's designee, at the bottom of page 1.
  - You do not have to complete any other pages of form HUD-52515.
- 2. Please complete and submit the DocuSign copy of your agency's HUD-52515 application no later than Tuesday, August 15, 2023.** HUD will only accept applications via DocuSign. For questions and concerns, please email us at [VASH\\_ROI@hud.gov](mailto:VASH_ROI@hud.gov). Please note the address is VASH (underscore) ROI @hud.gov.
- 3. Contact and discuss with your partnering VA facility your intention to administer the**

number of vouchers specified on the HUD-52515 application form.

- You should also discuss an estimated date in which you can expect to start receiving referrals and begin leasing the 2023 vouchers.
- HUD has developed a Leasing Schedule Template to assist PHAs and VA partners estimate and plan the Number of Referrals, Voucher Issuances, and lease ups needed on a monthly basis in order to fully utilize all HUD-VASH vouchers awarded within 12-months. It is not required but serves as a helpful planning tool.
- The Leasing Schedule Template and Instructions can be found here under Tools and Resources:  
<https://www.hud.gov/sites/documents/LEASINGSCHEDULE-INSTRUCT.PDF>

4. After processing your application, there will be a formal, public HUD Press Release for all Fiscal Year 2023 HUD VASH (Mid-Year) awardees. HUD will send your agency an award letter via email and a Consolidated Annual Contributions Contract (CACC) Amendment shortly thereafter.

We look forward to partnering with you to continue serving homeless veterans. If you have any questions, please email them to [vash@hud.gov](mailto:vash@hud.gov).

Sincerely,

*Danielle Bastarache*

Danielle Bastarache  
Deputy Assistant Secretary  
Office of Public Housing and Voucher Programs

**Funding Application**

Housing Choice Voucher Program

**U.S Department of Housing and  
Urban Development**

Office of Public and Indian Housing

OMB Approval No. 2577-0169  
(exp. 04/30/2026)


**OMB Burden Statement.** The public reporting burden for this information collection is estimated to be up to 5 hours, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This information collection is required to assess the applicant's capacity and experience for a funding opportunity. Assurances of confidentiality are not provided under this collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions to reduce this burden, to the Office of Public and Indian Housing, U.S. Department of Housing and Urban Development, Washington, DC 20410. HUD may not conduct and sponsor, and a person is not required to respond to, a collection of information unless the collection displays a valid control number.

**Privacy Notice.** The Department of Housing and Urban Development (HUD) is authorized to collect the information on this form by Section 8 of the U.S. Housing Act (42 U.S.C. 1437f). The purpose of this form is to assess the applicant's capacity and experience for a funding opportunity. The Personally Identifiable Information (PII) data collected on this form are not stored or retrieved within a system of record.

A. Name and Mailing Address of the Public Housing Agency (PHA) Housing Authority City of Needles 817 Third Street Needles, CA 92363		B. PHA Code CA022
C. Number of Vouchers Requested 30	D. Geographic Area/Jurisdiction (describe the area in which assisted may live)	

If directed in the NOFO or Funding Notice, complete additional fields on the next page of this form.

**PHA Signature**

Signature of PHA Representative  A6E7AFC929C3452...		Print or Type Name of Signatory Richard Daniels	
Email Address rdaniels@cityofneedles.com	Phone Number 760-326-2115	Date 8/11/2023	

---

E. Capacity of the Organization

---

F. Need/Extent of the Problem

---

G. Soundness of Approach

---

H. Leveraging Resources

---

I. Achieving Results and Program Evaluation

---

J. Memorandum of Understanding

---

K. Other Information Required in the NOFO or Funding Notice

---

L. Program Specific Certifications (enter here any certification required in the NOFO or Funding Notice)

---



## MINUTES

**REGULAR MEETING OF THE  
HOUSING COMMISSION OF THE CITY OF NEEDLES  
WEDNESDAY, JULY 19, 2023 @ 4:00 P.M.  
CITY COUNCIL CHAMBERS - 1111 BAILEY AVENUE, NEEDLES**

### **CALL TO ORDER**

*Mayor Jernigan called the meeting to order at 4:05 pm*

### **ROLL CALL**

#### **PRESENT**

*Commissioners Clark, Tucker, and Mauer.*

#### **ABSENT**

*Commissioners Kissell and Smith*

*Also in attendance were Assistant Housing Specialist Serra Tieman, City Manager Rick Daniels, Assistant City Manager Patrick Martinez, and Assistant City Clerk Candace Clark*

**PLEDGE OF ALLEGIANCE** *led by City Manager Rick Daniels*

### **APPROVAL OF AGENDA**

*Commissioner Clark moved, second by Commissioner Tucker, to approve the agenda as submitted.*

*Motion carried by the following roll call vote:*

**Ayes:** *Commissioners Clark, Tucker, and Mauer*

**Noes:** *None*

**Absent:** *Commissioners Kissell and Smith*

**CONFLICT OF INTEREST** - *None*

**CORRESPONDENCE** - *None*

**INTRODUCTIONS** - *None*

**PUBLIC APPEARANCE** - *None*

- 1) **Welcome & Introduction of new Commissioners by Mayor Jernigan**  
*Mayor Jernigan and City Manager Rick Daniels welcomed the new Commissioners and asked each of them to introduce themselves:*

*Frances Clark over 62 tenant – term expires December 31, 2026*

*Commissioner Clark introduced herself, talked briefly about her history and explained the reasons behind her motivation to join the Housing Commission.*

*Tamera Kissell tenant – term expires December 31, 2027*

*Commissioner Kissell was absent.*

*Deana Tucker at large – term expires December 31, 2027*

*Commissioner Tucker introduced herself, talked briefly about her history, and explained the reasons behind her motivation to join the Housing Commission.*

*Robert Smith at large – term expires December 31, 2026*

*Commissioner Smith was absent.*

*Chris Mauer at large – term expires December 31, 2025*

*Commissioner Mauer introduced himself, talked briefly about his history, and explained the reasons behind his motivation to join the Housing Commission.*

- 2) Administered Oath of Office to newly appointed Commissioners Frances Clark, Deana Tucker, Chris Mauer and Serra Tieman, Housing Specialist  
*Oath of Office was administered by Assistant City Clerk Candace Clark*
- 3) Selection of Chair and Vice Chair  
*Commissioner Tucker suggested that the commission wait until all members are present to vote on this matter. City Manager Rick Daniels suggested an interim Chair and Vice Chair be appointed by Mayor Jernigan. Mayor Jernigan appointed Commissioner Mauer as Chair, and Commissioner Tucker volunteered as Vice Chair. No vote taken.*
- 4) Established the monthly meeting day and time to be held.  
*After minimal discussion, it was agreed by consensus of the Commissioners that the regular meetings of the Housing Commission will be held on the 4<sup>th</sup> Wednesday of each month at 4pm.*

## **REGULAR ITEMS**

- 5) Commissioner Orientation & Meeting Procedures  
Commissioner's Handbook – Contents: (HUD Public Housing Programs Guide, By-Laws, City Charter, Resolution 9-8-98 Meeting Procedures, Resolution 2023-12 City Council-Needles Housing Authority Board of Commissioners, Annual Contribution Contract, HUD Calendar for Forms)  
Legal Obligations  
Form 700  
Mandatory training – State & Federal  
*City Manager Rick Daniels reported.*
- 6) Existing Housing Programs – Section 8 and Public Housing  
*City Manager Rick Daniels reported.*
- 7) City of Needles Housing Policy Update  
*City Manager Rick Daniels and Assistant City Manager Patrick Martinez reported.*

## **BOARD REQUESTS**

**Commissioner Clark** asked about the difference in requirements between California and Arizona and if there are plans to address this in order to keep development here in Needles. City Manager Rick Daniels addressed her concerns.

**Commissioner Tucker** asked about their authority, as commissioners, over other subsidized housing units in the city. City Manager Rick Daniels advised commissioners to report any concerns to City Staff or Council and it will be addressed appropriately; Commissioner Tucker asked for contact information of other Commissioners.

**Commissioner Mauer** had no requests.

## **CITY MANAGER REPORT**

City Manager Rick Daniels introduced the new Housing Director Angelica Deerner

## **ADJOURNMENT**

City Manager Rick Daniels adjourned the meeting at 5:47 pm.