



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Housing Authority City of Kennewick

For the period July 1, 2016 through June 30, 2018

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**Office of the Washington State Auditor
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Board of Commissioners
Housing Authority City of Kennewick
Kennewick, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The State Auditor's Office takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Housing Authority operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

The attached comprises our independent audit report on the Housing Authority's compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff and we value your cooperation during the audit.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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AUDIT RESULTS

This report describes the overall results and conclusions for the areas we examined. In those selected areas, Housing Authority operations complied with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

About the audit

This report contains the results of our independent accountability audit of the Housing Authority City of Kennewick from July 1, 2016 through June 30, 2018.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the State Auditor to examine the financial affairs of all local governments. Our audit involved performing procedures to obtain evidence about the Housing Authority's uses of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters.

In keeping with general auditing practices, we do not examine every transaction, activity or area. Instead, based on our risk assessment for the years ended June 30, 2018 and 2017, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. The following areas were examined during this audit period:

- Tracking and monitoring of theft sensitive assets such as equipment
- Financial condition and fiscal sustainability
- Payroll – gross wages
- Accounts payable – general disbursements

RELATED REPORTS

Financial

A financial statement audit was performed by a firm of certified public accountants. That firm's report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

Federal grant programs

A firm of certified public accountants evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the Housing Authority's major federal program. That firm's report is available on our website, <http://portal.sao.wa.gov/ReportSearch>. That report includes a federal finding regarding compliance over the Housing Choice Voucher program.

INFORMATION ABOUT THE HOUSING AUTHORITY

The Housing Authority City of Kennewick provides housing, rental assistance, support services and homeownership assistance to eligible low-income families who live in the city of Kennewick and in Benton County. The Housing Authority owns and operates a six-unit apartment complex exclusively for persons with physical disabilities. The Housing Authority also administers a U.S. Department of Housing and Urban Development’s (HUD) Public Housing and Section 8 Housing Choice Voucher Program. Last, the Authority administers a 138-unit Housing Assistance Payments contract under the HUD Moderate Rehabilitation program.

The Authority is the general partner in two limited liability limited tax credit partnerships, which provides 60 units of affordable housing. These units are managed by a third-party management company.

The Housing Authority was created in 1943 by the Kennewick City Council. Its Board of Commissioners consists of five members appointed by the Mayor of Kennewick and the Board appoints a sixth Resident-Assisted Commissioner. The Commissioners can serve for three consecutive, five-year terms and a maximum of 15 years of service on the Board. The Board is responsible for determining mission, vision, goals and policies for the Housing Authority. The Housing Authority has a staff of 21 employees and provides housing assistance to over 1,300 families. For fiscal years 2017 and 2018, the Housing Authority received revenue of about \$8.7 and \$8 million, respectively. The majority of the Authority’s revenue is from HUD funding.

Contact information related to this report	
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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Housing Authority City of Kennewick at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as fraud, state whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic subscription service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov



Exit Recommendations
Housing Authority City of Kennewick
Audit Period Ending: 6/30/2018

We are providing the following exit recommendations for management's consideration. They are not referenced in the audit report. We may review the status of the following exit items in our next audit.

Accountability:

Small & Attractive Asset Listing

The Authority has not updated its small and attractive asset listing since 2017. In our review of new appliances, we noted 5 of the 17 items were not properly tagged.

We recommend the Authority update its small and attractive asset listing and ensure new assets are properly tagged and added to the listing.



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Exit Conference: Kennewick Housing Authority

The Office of the Washington State Auditor's vision is increased trust in government. Our mission is to provide citizens with independence and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective.

The purpose of this meeting is to share the results of your audit and our draft reporting. We value and appreciate your participation.

Audit Reports

We will publish the following reports:

- Accountability audit for July 1, 2016 through June 30, 2018 - see draft report.

Audit Highlights

- No Findings or Management Letters.
- Great collaboration and with management.

Recommendations not included in the Audit Reports

Exit Items

We have provided exit recommendations for management's consideration. Exit items address control deficiencies or non-compliance with laws or regulation that have an insignificant or immaterial effect on the entity, or errors with an immaterial effect on the financial statements. Exit items are not referenced in the audit report.

Work of Other Auditors

A financial statement audit was performed by Loveridge Hunt Co., PLLC of Kennewick Housing Authority. Professional audit standards require us to evaluate relevant work done by other auditors and communicate certain matters to the governing body.

- We performed procedures to ensure we could rely on the work of the external auditors and reference their audit in our audit report. These procedures included consideration of attendance at key meetings, evaluation of the firm's last peer review report, review of the other auditor's work, review of the other auditor's results and communications with the other auditor.
- We did not become aware of any instance in which the work of the other auditors gave rise to concern about the quality of their work.
- There were no limitations that restricted our analysis of the other audit.
- We did not become aware of any instance in which a material misstatement of the financial statements has or may have resulted from fraud or suspected fraud.

Finalizing Your Audit

Report Publication

Audit reports are published on our website and distributed via e-mail in an electronic .pdf file. We also offer a subscription service that allows you to be notified by email when audit reports are released or posted to our website. You can sign up for this convenient service at: <https://portal.sao.wa.gov/SAOPortal/>

Management Representation Letter

We have included a copy of representations requested of management.

Audit Cost

At the entrance conference, we estimated the cost of the audit to be \$14,000 and actual audit costs will approximate that amount.

Your Next Scheduled Audit

Your next audit is scheduled to be conducted in 2021 and will cover the following general areas:

- Accountability for Public Resources – 2019 and 2020

The estimated cost for the next audit based on current rates is \$14,000 plus travel expenses. This preliminary estimate is provided as a budgeting tool and not a guarantee of final cost

Working Together to Improve Government

Audit Survey

When your report is released you will receive an audit survey from us. We value your opinions on our audit services and hope you provide feedback.

Local Government Support Team

This team provides support services to local governments through technical assistance, comparative statistics, training, and tools to help prevent and detect a loss of public funds. Our website and client portal offers many resources, including a client Help Desk that answers auditing and accounting questions. Additionally this team assists with the online filing of your financial statements.

The Center for Government Innovation

The Center is a resource for local governments that want to solve problems, innovate, and improve the value of their services to citizens. The Center is available by phone, online, or in person to offer assistance, programs, and tools – at no additional charge. You can contact the Center for more information at center@sao.wa.gov.

Questions?

Please contact us with any questions about information in this document or related audit reports.

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