

NOTES

Grand Junction Housing Authority
Finance/Audit Committee Meeting

Tuesday, November 20, 2018
8 Foresight Circle 11:35 a.m.



1. **Call to Order** 11:35 a.m.

ATTENDANCE: John Howe, Chair Scott Aker, COO
 Tami Beard Amy Case, Controller
 Chris Launer Sheila Brubacher, Acct. Supervisor
 Phyllis Norris Jane Hart, Executive Assistant
 Tim Hudner
 Ivan Geer
 Scott Proper
Phone In Attendance - N/A

2. **Phone Call with Auditors for Exit Overview**

Amy placed a phone call to GJHA auditor, Rich Larsen of Novogradac, who was asked to summarize the auditors' visit from last week. Three reports from audit will include:

1) Independent Auditors Report opinion on GJHA financial statement. This report is not yet complete and probably will be issued in March, well before any HUD deadline. This report must have Tax Credit property audit information included.

2) Government auditing standards report will test internal controls. This is a review of disbursement, cash receipts, procurement, Board Meeting minutes, and resolution documents, along with staff follow through and IT controls. Any violations would be reported to GJHA and to HUD, and a corrective action plan would be developed. In everything tested there were no issues. GJHA will receive a clean report.

3) Audit according to Uniform Guidance through which the auditor gives an opinion on compliance with Federal grants. In this case, Housing Choice Voucher (HCV) program was selected as the major program to be tested. Tenant files were checked for controls; 15 things were reviewed in tenant files including a check of the waitlist, administrative plan, and test of failed inspections and re-inspections. Rich said Novogradac performs this audit on approximately 50 housing authorities across the country and stated it is very difficult to maintain compliance in the HCV program yet GJHA had no issues and no findings. GJHA will receive the highest level of rating, an unmodified report with no findings.

Rich commented that his Novogradac staff, three auditors who spent the entire week with the housing authority, were incredibly complimentary of GJHA staff.

Amy further explained that any major federal program, over \$750k threshold, is subject to audit annually as a major program. The HCV program is over \$6M to GJHA. GJHA can also expect a Housing Trust Fund (\$800k funding source for Highlands 2) audit this year as well, in which compliance requirements will be minimal. Each major program must be audited at least once every three years. Tim Hudner gave background on how Housing Trust Fund was developed. At conclusion, Rich offered to deliver the final report in person at the Board's request.

After the call, the Board expressed appreciation for the work GJHA staff did to ensure the audit would go well. Reiterating Novogradac's positive comments regarding working with GJHA's staff, Chris Launer asked if staff is happy with Novogradac. Both Amy Case and Scott Aker responded that working with Novogradac has been a positive experience.

3. Revisions of Tax Credit Budgets

a. The Highlands

Amy noted several changes to the budget including the assignment of the Service Coordinator Grant to the General Fund from Highlands fund and movement of Service Coordinator compensation as an expense to the General Fund. There was a higher management compensation expense than anticipated due to a high volume of verifications of income and asset re-certifications, 64 units all due at the same time, and removal of Service Coordinator from compensation budget.

In answer to a question posed by Tim, Amy said that approval is not needed from the equity investor to make these changes, but the investor could express concerns if they had any.

b. Village Park

Increases in the Village Park budget were primarily a result of repairs to units which had been treated roughly prior to tenant eviction. These tenants are kept track of and cannot come back into HUD multi-family properties if they left unpaid balances owing to a Housing Authority. Landlord references will also follow them from one GJHA property to another.

Other additional expenditures were for additional security cameras and fire sprinkler inspections.



4. Review 4th Quarter Financials – (Draft Financials subject to auditor adjustments)

- a. The first \$820k from Housing Trust Fund Grant for the Highlands 2 project came into the Housing Authority budget. The remainder will be funded upon receipt of the Certificate of Occupancy.
- b. The net income loss of \$2.9M for the year was driven by a transfer out of investments in Tax Credits from A&D to the General Fund. This was an internal, non-cash transfers of assets (accrued interest, developer fees) for the purpose of more uniform reporting.
- c. A previous Board Resolution approved a transfer of up to \$300K in Administrative Fee Reserves to pay for Housing Assistance Payment (HAP) rental expense as needed. This allowed the Voucher Team to lease up as fully as possible to leverage budget authority generation in coming years. By the most recent estimate, \$140k will be needed in December. Due to solid administrative management of program, it is performing well and has an additional \$40k coming from HUD based on January to June leasing (under-paid administrative fees.)
Scott pointed out that Congress' proration factors and GJHA per unit cost as rents go up must be closely watched, but GJHA is entering 2019 with much less swing to manage.
- d. Other budgets mentioned included Nellie Bechtel rehab project expenditure which is slightly behind schedule and Bookcliff Squire which is being closed out to A&D.
- e. The GJHA request to change Fiscal Year to a calendar year has not yet been approved by HUD. The HUD Regional office in Denver approved the request but REAC at HUD headquarters had concerns. With support of the Denver office, we hope to have the initial denial overturned.

A motion to recommend Tax Credit Properties Budget revisions and accept 4th quarterly financials at the December 4th meeting was made by Tami and seconded by Chris. The motion passed unanimously.

The meeting adjourned at 12:37pm.

