

MEMORANDUM

Date: May 14, 2024
To: Housing Authority Board of Commissioners
From: Rodney Cook, Director of Health Housing and Human Services; Chris Aiosa, Executive Director of the Housing Authority of Clackamas County
RE: Housing Authority 2023 Audit Update

REQUEST: The Housing Authority of Clackamas County (HACC) is informing the Housing Authority Board of Commissioners of an audit finding in the Housing Authority's Fiscal Year 2023 audit that was completed by Moss Adams, LLP on April 30, 2024. Staff would like the Board to have additional time to review the audit report in advance of presenting a resolution the week of May 20, 2024, that acknowledges the Fiscal Year 2023 audit finding and approves a plan of corrective action to address the findings in accordance with ORS 297.466.

BACKGROUND: For the audit carried out on the Housing Authority's Fiscal Year 2023, Moss Adams issued a clean opinion on the financial statements, finding that they were presented fairly, in all material respects, and that the respective financial position of the governmental activities and the respective changes in financial position and cash flows were presented with generally accepted accounting principles.

Aside from that clean opinion, the audit report included one significant deficiency in internal controls over the timeliness and accuracy of reconciliations. Account reconciliation should be prepared timely and accurately and include all relevant transactions that have occurred. In doing so, general ledger balances would then be accurate and complete and meet the requirements of generally accepted accounting principles by following financial reporting standards of the Governmental Accounting Standards Board. Due to a software conversion, the Housing Authority prepared reconciliations for audit months later, which required significant edits and multiple versions. In addition, management has not properly updated the financial close and reporting schedule following the software conversion.

The Housing Authority is tasked with submitting unaudited financial statements to the U.S. Department of Housing and Urban Development (HUD) by August 31 of each year, and filing the audited financial statements to the State of Oregon by December 31. The HUD deadline was not met, and the State deadline was extended to April 30, 2024. If the reconciliations were prepared in a complete and accurate manner, the State of Oregon extension would not have been necessary.

The Housing Authority completed a software conversion in July 2023 that required a lot more time than expected and delayed the reconciliation and financial close process. This resulted in staff needing additional time to complete the reconciliations.

On July 1, 2022, the Housing Authority began a software conversion from a very antiquated *Healthy Families. Strong Communities.*

system to a new online platform, Yardi. Due to the age of the existing system and the incongruency in structure between the two systems, the conversion was more challenging than expected. The conversion required extensive hand corrections to the data in the new system by staff to improve the integrity of the data.

Seeing the additional staff effort required, the Housing Authority requested extensions in its reporting deadlines from HUD and the State for the Fiscal Year 2023. By delaying reporting, the Housing Authority could ensure staff had the time needed to produce accurate reports and have confidence in data from the new Yardi system. Although the Housing Authority met the extended deadlines, auditors noted that if financial reconciliations had been completed on schedule there would not have been a need for the extensions. Throughout the extension periods, the Housing Authority remained in close contact with HUD and the State and met the extended deadlines as expected and they were not at any time considered out of compliance.

Per ORS 297.466(2), the audit finding requires a Board approved resolution with a Plan of Action to be filed with the State within 30 days of the audit filing. The Housing Authority has prepared a resolution that includes a Plan of Action for board consideration. This item is timely in that a Board approved Resolution and Plan of Action must be submitted by the Housing Authority to the Oregon Secretary of State within 30 days of the audit filing. That will be presented to the Board the week of May 20, 2024.

The plan of action includes identification of root causes, an impact assessment, and a correction action plan. The corrective action plan includes the following seven components:

1. **Comprehensive Support and Training:** We will prioritize providing comprehensive support and training to all staff involved in the reconciliation process to ensure they are proficient in using YARDI efficiently and effectively. This will include hiring a new IT programmer analyst to support the system, tailored training sessions with YARDI representatives (already scheduled for a one week, on-location training), user manuals, and access to support resources to address any questions or challenges encountered.
2. **Data Migration Review:** We will continue to conduct a thorough review of the data migration process and changes made to identify and rectify any discrepancies or incomplete data sets that may have affected the reconciliation process. This will involve collaborating closely with YARDI representatives to ensure data integrity and accuracy.
3. **System Optimization and Testing:** We commit to optimizing the performance of the new system through rigorous testing and troubleshooting to identify and resolve any underlying technical issues or bugs. This may involve working closely with the software vendor to implement patches, updates, or customization to better suit our organization's needs. We have also committed to hiring an IT programmer analyst that will be our resident expert and point source for YARDI issues. First round of interviews for this position were carried out in April 2024.

4. **Enhanced Communication and Collaboration:** We will improve communication and collaboration channels between relevant programs at the Authority to facilitate the timely resolution of issues and alignment of objectives. Regular meetings and status updates will be instituted to ensure transparency and accountability throughout the software implementation process.
5. **Monthly Reconciliations:** Recognizing the inherent risks associated with the timing, the data has been migrated and data integrity assured we have already begun to reconcile monthly and will continue to monitor this process closely in order to mitigate the impact of any unforeseen challenges or disruptions on the reconciliation process.
6. **Hiring of Finance Supervisor:** March 18th, 2024, the Authority hired a new Finance Supervisor with many years of experience as a comptroller.
7. **Timeline for Implementation:** We understand the urgency of addressing these issues and aim to implement the corrective action plan *immediately* and progress will be ongoing. We will provide regular updates on our progress and milestones achieved to the Auditors and senior management.

Respectfully submitted,

Rodney Cook
Director, Health, Housing & Human Services