



**Office of the Washington State Auditor**  
**Pat McCarthy**

**Federal Single Audit Report**  
**Pierce County Housing Authority**

**For the period January 1, 2018 through December 31, 2018**

**Published March 16, 2020**

**Report No. 1025922**





**Office of the Washington State Auditor  
Pat McCarthy**

March 16, 2020

Board of Commissioners  
Pierce County Housing Authority  
Tacoma, Washington

**Report on Federal Single Audit**

Please find attached our report on the Pierce County Housing Authority's compliance with federal laws and regulations.

We are issuing this report in order to provide information on specific financial activities of the Housing Authority.

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Pierce County Housing Authority January 1, 2018 through December 31, 2018

### SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Pierce County Housing Authority are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued a qualified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) in a separate report dated December 13, 2019.

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We noted instances of noncompliance that were material to the financial statements of the Housing Authority.

#### Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We issued a qualified opinion on the Housing Authority's compliance with requirements applicable to its major federal program.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

### **Identification of Major Federal Programs**

The following program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
14.871	Housing Voucher Cluster – Section 8 Housing Choice Vouchers

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$762,671.

The Housing Authority qualified as a low-risk auditee under the Uniform Guidance.

### **SECTION II – FINANCIAL STATEMENT FINDINGS**

See Finding 2018-001 in our separate report dated December 13, 2019.

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

See Finding 2018-002.

**SCHEDULE OF FEDERAL AWARD FINDINGS AND  
QUESTIONED COSTS**

**Pierce County Housing Authority  
January 1, 2018 through December 31, 2018**

**2018-002    The Housing Authority did not have adequate controls in place to ensure compliance with federal program requirements.**

<b>CFDA Number and Title:</b>	14.871 Section 8 Housing Choice Vouchers
<b>Federal Grantor Name:</b>	Office of Public and Indian Housing, Department of Housing and Urban Development
<b>Federal Award/Contract Number:</b>	N/A
<b>Pass-through Entity Name:</b>	
<b>Pass-through Award/Contract Number:</b>	
<b>Questioned Cost Amount:</b>	\$1,897,013

***Background***

The Housing Choice Voucher Program (HCVP) provides rental assistance to help very low-income families afford decent, safe, and sanitary rental housing. The Department of Housing and Urban Development (HUD) enters into Annual Contributions Contracts (ACCs) with the Housing Authority, in which HUD provides funds to administer the program locally.

Federal regulations require recipients of federal awards to establish and follow internal controls to ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of established controls.

***Activities allowed / allowable costs***

The Housing Authority receives administrative fees, which it can use only for the operating costs of running the program as well as costs to assist families in special situations. In 2018, the Housing Authority received \$1,897,013 in administrative fee revenue and spent all of these funds.

### *Operating transfers and administrative fees / rolling forward equity balance*

The ACC establishes the amounts HUD will provide for housing assistant payments (HAP) and administrative fees. The ACC requires housing authorities to properly account for program activity. Proper accounting requires that account balances are properly maintained, records and accounting transactions support a proper roll-forward of equity, and errors are corrected as detected.

### *Depository agreement*

Under the terms of the ACC, the Housing Authority must select a federally insured institution as depository of Section 8 program funds and must enter into General Depository Agreements (GDA) with the financial institution in a form required by HUD. This serves as a safeguard for federal funds and provides third-party rights to HUD. The form must include all account numbers and must be signed by HUD.

### *Reporting*

The Housing Authority must prepare financial information following generally accepted accounting principles and submit timely audited financial information electronically to HUD, including a supplementary Financial Data Schedule (FDS).

In December 2019, the State Auditor's Office issued the results of our investigation of the former Finance Director's unallowable activities. This investigation concluded that the former Finance Director misappropriated \$6,948,277 of public funds between March 18, 2016, and July 17, 2019. That report is available on our website, at <http://portal.sao.wa.gov/ReportSearch>.

### *Description of Condition*

The former Finance Director misappropriated \$6,948,277 from the Housing Authority, of which \$1,951,477 was in 2018. These funds were not directly charged to the federal program. However, our audit identified some of these fraudulent transactions were included in the Housing Authority's cost allocation plans. Administrative fees for the program were indirectly charged to the program through the cost allocations.

### *Activities allowed / allowable costs*

The Housing Authority has developed cost allocation plans in which a percentage of the Housing Authority's expenses, such as payroll and software expenses, is charged to the federal program for administering the program. The Housing

Authority did not have controls in place to verify that costs allocated through the cost allocation plan were for legitimate Housing Authority expenses.

*Operating transfers and administrative fees / rolling forward equity balance*

The Housing Authority did not have controls in place to account for program activity and track administrative fees. Current staff could not find the tracking spreadsheet that was said to be used to monitor the accounting transactions and track the proper roll-forward of equity.

*Depository agreement*

The Housing Authority did not have controls in place to ensure accurate completion of the GDA. The GDA on file was not fully executed (signed by HUD) and did not include all of the Housing Authority's account numbers, as required. Further, the GDA form expired October 31, 2017, and the Housing Authority failed to enter into a new agreement.

*Reporting*

The Housing Authority did not have a process in place to verify that the FDS was accurately prepared and submitted timely to the grantor.

We consider these control deficiencies to be material weaknesses.

These issues were not reported as a finding in the prior audit.

***Cause of Condition***

Housing Authority staff and management relied on the former Finance Director to perform grant-related activities and comply with all program requirements without adequate oversight. When the former Finance Director was fired from her position, remaining Housing Authority staff lacked adequate training or experience with the program and could not provide documents to demonstrate compliance with program requirements.

***Effect of Condition and Questioned Costs***

The Housing Authority could not provide adequate support for administrative fee expenses. We determined this noncompliance affected the following program areas:

*Activities allowed / allowable costs*



Without support for the administrative fee expenses, the Housing Authority cannot verify the fees were used for allowable purposes. As a result, we are questioning costs of \$1,897,013.

We question costs when we find an entity has not complied with grant regulations or when it does not have adequate documentation to support its expenditures.

*Operating transfers and administrative fees / rolling forward equity balance*

Without support for the operating transfers and administrative fees and rolling forward equity balance, the Housing Authority cannot support whether these program costs were allowable and that funds were rolled over properly. Therefore, we are questioning all administrative costs.

*Depository agreement*

Because the Housing Authority did not properly execute a GDA with its financial institution, HUD was not provided third-party rights as required.

*Reporting*

The Housing Authority did not meet its program reporting deadline of September 30, 2019. Federal oversight agencies rely on timely reporting for program oversight and future funding decisions.

***Recommendations***

*Activities allowed / allowable costs*

We recommend the Housing Authority ensure only valid and allowable costs are charged to the program. Further, we recommend the Authority develop and follow internal controls to properly track and maintain adequate support for reported administrative fee funding activity.

*Operating transfers and administrative fees / rolling forward equity balance*

We recommend the Housing Authority develop and follow internal controls and ensure account balances are properly maintained, records and accounting transactions support a proper roll-forward of equity, and that errors are corrected as detected.

*Depository agreement*

We recommend the Housing Authority fully execute a General Depository Agreement as required by federal requirements.

### *Reporting*

We recommend the Housing Authority perform adequate oversight and secondary review of Financial Data Schedule reporting to ensure accurate and timely financial reporting to the grantor.

### ***Housing Authority's Response***

*The Housing Authority agrees with the finding 2018-002 and agree that the Housing Authority did not have adequate controls in place to ensure compliance with federal program requirements.*

*With regard to not meeting the reporting deadline of September 30, 2019, we agree that the deadline was missed and acknowledge that oversight agencies and the public rely on timely reporting for program oversight and future funding agreements.*

*PCHA further agrees that the 2018 Single Audit was not reported in a timely manner as the fraud was suspected in July and identified in August but required ongoing investigation. The State Auditor's Office could not complete the audit until the investigation and further work were completed. In December 2019 when the Fraud report, Accountability, and Financial Statement reports were released PCHA has worked to provide the information needed for the State Auditor to complete the work of the 2018 Single Audit. In addition, since November, 2019 financial consultants specializing in public housing have been working with PCHA to rectify and address the issues and implement actions related to the State Auditor's Reports and HUD findings and recommendations; with their assistance, PCHA has provided information to the SAO to facilitate completion of the single audit..*

*With regard to the following two notations:*

#### ***Activities allowed / allowable costs***

Without support for the administrative fee expenses, the Housing Authority cannot verify the fees were used for allowable purposes. As a result, we are questioning costs of \$1,897,013.

We question costs when we find an entity has not complied with grant regulations or when it does not have adequate documentation to support its expenditures.

### ***Operating transfers and administrative fees / rolling forward equity balance***

Without support for the operating transfers and administrative fees and rolling forward equity balance, the Housing Authority cannot support whether these program costs were allowable and that funds were rolled over properly. Therefore, we are questioning all administrative costs.

*Pierce County Housing Authority appreciates the State Auditor's efforts in helping us identify these costs and recognizes that our mutual inability to identify each possible fraudulent posting has resulted in the SAO questioning all of the administrative expenses, activities allowed and allowable costs. HUD is aware of this issue and we will immediately provide this report to HUD and continue to work with the agency to further address this item.*

*As of November, 2019 and continuing, we are working with the financial consultants and HUD to address both of these issues.*

*To date PCHA has also, under the supervision of consultants, implemented many of the required procedures and trained staff in an ongoing process to:*

- *Ensure only valid and allowable costs are charged to the program;*
- *Develop and implement a process that provides for internal controls to properly track and maintain adequate support for reported administrative fee funding activity;*

*Additionally, PCHA has begun the process of executing a General Depository Agreement as required by federal requirements. The GDA has been signed by PCHA's bank, by PCHA representatives and is now awaiting HUD signature.*

*PCHA will continue with work and verify with HUD and the State Auditor that PCHA is providing the internal controls and procedures, with trained staff, to implement all necessary internal controls to ensure compliance with federal program requirements.*

### ***Auditor's Remarks***

We appreciate the Housing Authority's commitment to resolving the issues identified above and emphasize the importance of establishing effective internal controls over compliance with federal program requirements. We will follow up on the status of this finding during our next audit.

### ***Applicable Laws and Regulations***

Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Section 516, Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, Section 303, Internal controls, establishes requirements for management of Federal awards to non-Federal entities.

Title 2 CFR Part 200, Uniform Guidance, Section 53, Improper Payments, defines what improper payment means and what it includes.

Title 2 CFR Part 200, Uniform Guidance, Section 403, Factors affecting Allowability of costs, provides for the general criteria in order for a cost to be charged to a federal award.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 24 CFR Part 982, *Section 8 Tenant-Based Assistance: Housing Choice Voucher Program*, Section 152, Administrative fee, outlines the purpose and use of administrative fees.

Title 24 CFR Part 982, *Section 8 Tenant-Based Assistance: Housing Choice Voucher Program*, Section 158, Program accounts and records, establishes requirements over program accounts and records.

Title 24 CFR Part 982, *Section 8 Tenant-Based Assistance: Housing Choice Voucher Program*, Section 156, Depository for program funds, establishes requirements over depository agreement.

Title 24 CFR Part 5, *General HUD Program Requirements; Waivers*, Section 801, Uniform financial reporting standards, establishes reporting requirements.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**Pierce County Housing Authority  
January 1, 2018 through December 31, 2018**

Board of Commissioners  
Pierce County Housing Authority  
Tacoma, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM**

We have audited the compliance of the Pierce County Housing Authority, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Housing Authority's major federal programs for the year ended December 31, 2018. The Housing Authority's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain

reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Housing Authority's compliance.

### **Basis for Qualified Opinion on Housing Voucher Cluster (14.871 Section 8 Housing Choice Vouchers)**

As described in Finding 2018-002 in the accompanying Schedule of Federal Award Findings and Questioned Costs, the Housing Authority did not comply with Housing Voucher Cluster requirements for Reporting and Special Tests and Provisions – Depository Agreements. Further, and as also described in Finding 2018-002, we were unable to obtain sufficient appropriate audit evidence supporting the Housing Authority's compliance with Housing Voucher Cluster requirements for: Activities Allowed or Unallowed and Allowable Costs/Cost Principles as they relate to administrative fees charged; Special Tests and Provisions – Operating Transfers and Administrative Fees; and Special Tests and Provisions – Rolling Forward Equity Balances. Therefore, we were unable to determine whether the Housing Authority complied with those requirements. Compliance with such requirements is necessary, in our opinion, for the Housing Authority to comply with requirements applicable to the program.

### **Qualified Opinion on Housing Voucher Cluster (14.871 Section 8 Housing Choice Vouchers)**

In our opinion, except for the noncompliance and the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Housing Voucher Cluster program for the year ended December 31, 2018.

### **Housing Authority's Response to Findings**

The Housing Authority's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2018-002, that we consider to be material weaknesses.

### Housing Authority's Response to Findings

The Housing Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

## **REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND FINANCIAL DATA SCHEDULE**

We have audited the financial statements of the Pierce County Housing Authority as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements. We issued our report thereon dated December 13, 2019, which contained a qualified opinion on those financial statements because they include approximately \$1.95 million of fraudulent disbursements incorrectly classified as operating expenses. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance. The accompanying Financial Data Schedule is supplementary information required by HUD. These schedules are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effect on the accompanying information of the qualified opinion on the financial statements as described above, the Schedule



of Expenditures of Federal Awards and the Financial Data Schedule are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy  
State Auditor  
Olympia, WA

March 11, 2020

## FINANCIAL SECTION

### **Pierce County Housing Authority January 1, 2018 through December 31, 2018**

#### **SUPPLEMENTARY INFORMATION**

Schedule of Expenditures of Federal Awards – 2018

Notes to the Schedule of Expenditures of Federal Awards – 2018

Financial Data Schedule – 2018

**Pierce County Housing Authority  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	Expenditures			Passed through to Subrecipients	Note
					From Direct Awards	Total			
RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF	Rural Rental Housing Loans	10.415	2018 RD Loan Subsidy	-	28,012	28,012	-	1,2	
RURAL HOUSING SERVICE, AGRICULTURE, DEPARTMENT OF	Rural Rental Assistance Payments	10.427	2018 RD RA	-	83,658	83,658	-	1,2	
ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Public and Indian Housing	14.850	2018 OFND	-	276,349	276,349	-	1,2,3	
<b>Section 8 Project-Based Cluster</b>									
ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856	2018 MOD	-	84,580	84,580	-	1,2,3	
<b>Total Section 8 Project-Based Cluster:</b>					<b>84,580</b>	<b>84,580</b>	-		
<b>Housing Voucher Cluster</b>									
ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Section 8 Housing Choice Vouchers	14.871	2018 HCV	-	24,500,857	24,500,857	-	1,2,3	
<b>Total Housing Voucher Cluster:</b>					<b>24,500,857</b>	<b>24,500,857</b>	-		
ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Public Housing Capital Fund	14.872	2018 CFP	-	222,896	222,896	-	1,2	

**Pierce County Housing Authority  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2018**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	Expenditures			Passed through to Subrecipients	Note
					From Direct Awards	Total	Total		
ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Public Housing Capital Fund	14.872	2017 CFP	-	88,000	88,000	-	1,2	
	<b>Total CFDA 14.872:</b>				-	<b>310,896</b>	<b>310,896</b>	-	
ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF	Family Self-Sufficiency Program	14.896	2018 FSS	-	138,000	138,000	-	1,2,3	
	<b>Total Federal Awards Expended:</b>				-	<b>25,422,352</b>	<b>25,422,352</b>	-	

The accompanying notes are an integral part of this schedule.

PIERCE COUNTY HOUSING AUTHORITY  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ending December 31, 2018

NOTE 1 – BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as Pierce County Housing Authority's financial statements.

NOTE 2 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal portion of the program cost. Actual program costs, including the Housing Authority's portion, may be more than shown.

NOTE 3 – INDIRECT COST RATE

The amount expended includes \$616,966 claimed as an indirect cost recovery using an approved indirect cost allocation plan. The Housing Authority as not elected to use the 10-percent de Minimis indirect cost rate allowed under Uniform Guidance.

NOTE 4 – SECTION 8 HOUSING CHOICE VOUCHERS 14.871

The amount reported on the SEFA is operating subsidy revenue received. Actual program expenses totaled \$24,795,750

HA Of Pierce County (WA054)  
Tacoma, WA  
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	Project Total	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	14.871 Housing Choice Vouchers
111 Cash - Unrestricted	\$931,431	\$259,826		\$284,900
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted	\$24,102	\$62,540		\$381,814
114 Cash - Tenant Security Deposits	\$41,000	\$6,100		
115 Cash - Restricted for Payment of Current Liabilities				\$33,322
100 Total Cash	\$996,533	\$328,466	\$0	\$700,036
121 Accounts Receivable - PHA Projects				\$27,454
122 Accounts Receivable - HUD Other Projects		\$0		
124 Accounts Receivable - Other Government		\$12,550		
125 Accounts Receivable - Miscellaneous		\$118		\$7,232
126 Accounts Receivable - Tenants	\$2,614	\$1,710		
126.1 Allowance for Doubtful Accounts - Tenants	-\$944	-\$1,710		
126.2 Allowance for Doubtful Accounts - Other		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$662			
128 Fraud Recovery				
128.1 Allowance for Doubtful Accounts - Fraud				
129 Accrued Interest Receivable				
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$2,332	\$12,668	\$0	\$34,686
131 Investments - Unrestricted				
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets				
143 Inventories				
143.1 Allowance for Obsolete Inventories				
144 Inter Program Due From				\$0
145 Assets Held for Sale				
150 Total Current Assets	\$998,865	\$341,134	\$0	\$734,722
161 Land	\$2,005,161	\$90,100		
162 Buildings	\$9,862,082	\$616,564		
163 Furniture, Equipment & Machinery - Dwellings	\$414,807	\$48,900		
164 Furniture, Equipment & Machinery - Administration	\$105,328			\$125,156
165 Leasehold Improvements				
166 Accumulated Depreciation	-\$6,371,891	-\$260,072		-\$110,975
167 Construction in Progress				
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$6,015,487	\$495,492	\$0	\$14,181
171 Notes, Loans and Mortgages Receivable - Non-Current	\$220			
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due				
173 Grants Receivable - Non Current				
174 Other Assets				
176 Investments in Joint Ventures				
180 Total Non-Current Assets	\$6,015,707	\$495,492	\$0	\$14,181

HA Of Pierce County (WA054)  
Tacoma, WA  
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

200	Deferred Outflow of Resources	\$21,811			\$116,666
290	Total Assets and Deferred Outflow of Resources	\$7,036,383	\$836,626	\$0	\$865,569
311	Bank Overdraft				
312	Accounts Payable <= 90 Days				
313	Accounts Payable >90 Days Past Due				\$81,953
321	Accrued Wage/Payroll Taxes Payable				
322	Accrued Compensated Absences - Current Portion	\$11,644			\$33,822
324	Accrued Contingency Liability				
325	Accrued Interest Payable		\$5,141		
331	Accounts Payable - HUD PHA Programs				
332	Account Payable - PHA Projects				
333	Accounts Payable - Other Government				
341	Tenant Security Deposits	\$41,000	\$6,100		
342	Unearned Revenue	\$8,594	\$221		
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		\$26,881		
344	Current Portion of Long-term Debt - Operating Borrowings				
345	Other Current Liabilities	\$213			\$30,498
346	Accrued Liabilities - Other	\$48,406	\$390		\$33,322
347	Inter Program - Due To	\$674,732	\$115,381		\$1,239,234
348	Loan Liability - Current				
310	Total Current Liabilities	\$784,589	\$154,114	\$0	\$1,418,829
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		\$422,751		
352	Long-term Debt, Net of Current - Operating Borrowings				
353	Non-current Liabilities - Other	\$24,127			\$195,582
354	Accrued Compensated Absences - Non Current	\$3,223			\$9,363
355	Loan Liability - Non Current				
356	FASB 5 Liabilities				
357	Accrued Pension and OPEB Liabilities	\$122,281			\$342,695
350	Total Non-Current Liabilities	\$149,631	\$422,751	\$0	\$547,640
300	Total Liabilities	\$934,220	\$576,865	\$0	\$1,966,469
400	Deferred Inflow of Resources	\$53,345			\$108,432
508.4	Net Investment in Capital Assets	\$6,015,487	\$45,860	\$0	\$14,181
511.4	Restricted Net Position	\$0	\$62,540	\$0	\$155,735
512.4	Unrestricted Net Position	\$33,331	\$151,361	\$0	-\$1,379,248
513	Total Equity - Net Assets / Position	\$6,048,818	\$259,761	\$0	-\$1,209,332
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$7,036,383	\$836,626	\$0	\$865,569

6.2 Component Unit - Blended	8 Other Federal Program 1	1 Business Activities	14.896 PIH Family Self-Sufficiency Program	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
\$4,184	\$803,639	\$436,323		\$174,722	\$2,895,025		\$2,895,025
\$465,501				\$0	\$933,957		\$933,957
\$109,355		\$35,244		\$0	\$191,699		\$191,699
\$43,776				\$0	\$77,098		\$77,098
\$622,816	\$803,639	\$471,567	\$0	\$174,722	\$4,097,779	\$0	\$4,097,779
				\$0	\$27,454		\$27,454
				\$0	\$0		\$0
				\$0	\$12,550		\$12,550
		\$1,554		\$0	\$8,904		\$8,904
\$59,672		\$12,593		\$0	\$76,589		\$76,589
-\$55,191		-\$11,273		\$0	-\$69,118		-\$69,118
		\$0		\$0	\$0		\$0
	\$8,160			\$0	\$8,822		\$8,822
				\$0			
				\$0			
\$4,481	\$8,160	\$2,874	\$0	\$0	\$65,201	\$0	\$65,201
		\$2,105,653		\$0	\$2,105,653		\$2,105,653
				\$0			
				\$0			
		\$278,375		\$0	\$278,375		\$278,375
		\$11,396		\$0	\$11,396		\$11,396
		\$0		\$0	\$0		\$0
		\$2,052,189		\$0	\$2,052,189	-\$2,052,189	\$0
				\$0			
\$627,297	\$811,799	\$4,922,054	\$0	\$174,722	\$8,610,593	-\$2,052,189	\$6,558,404
\$2,027,164		\$1,172,692		\$0	\$5,295,117		\$5,295,117
\$19,186,046		\$6,184,005		\$0	\$35,848,697		\$35,848,697
\$1,927,327		\$482,761		\$0	\$2,873,795		\$2,873,795
		\$673,153		\$0	\$903,637		\$903,637
				\$0			
-\$10,780,586		-\$4,188,347		\$0	-\$21,711,871		-\$21,711,871
				\$0			
				\$0			
\$12,359,951	\$0	\$4,324,264	\$0	\$0	\$23,209,375	\$0	\$23,209,375
	\$914,703	\$50,000		\$0	\$964,923		\$964,923
	\$0			\$0	\$0		\$0
				\$0			
				\$0			
\$12,359,951	\$914,703	\$4,374,264	\$0	\$0	\$24,174,298	\$0	\$24,174,298



		\$86,013		\$0	\$224,490		\$224,490
\$12,987,248	\$1,726,502	\$9,382,331	\$0	\$174,722	\$33,009,381	-\$2,052,189	\$30,957,192
				\$0			
		\$202,558		\$0	\$202,558		\$202,558
				\$0	\$81,953		\$81,953
		\$96,981		\$0	\$96,981		\$96,981
		\$50,135		\$0	\$95,601		\$95,601
				\$0			
\$81,451				\$0	\$86,592		\$86,592
				\$1,979	\$1,979		\$1,979
				\$0			
				\$0			
\$109,355		\$28,660		\$0	\$185,115		\$185,115
\$38,216		\$14,458		\$0	\$61,489		\$61,489
\$279,176				\$0	\$306,057		\$306,057
				\$0			
\$9,378		\$9,862		\$0	\$49,951		\$49,951
\$2,098		\$11,544		\$0	\$95,760		\$95,760
	\$4,645			\$18,197	\$2,052,189	-\$2,052,189	\$0
\$0				\$0	\$0		\$0
\$519,674	\$4,645	\$414,198	\$0	\$20,176	\$3,316,225	-\$2,052,189	\$1,264,036
\$16,989,659		\$65,000		\$0	\$17,477,410		\$17,477,410
				\$0			
\$1,065		\$280		\$0	\$221,054		\$221,054
		\$13,878		\$0	\$26,464		\$26,464
				\$0			
		\$2,111,841		\$0	\$2,576,817		\$2,576,817
\$16,990,724	\$0	\$2,190,999	\$0	\$0	\$20,301,745	\$0	\$20,301,745
\$17,510,398	\$4,645	\$2,605,197	\$0	\$20,176	\$23,617,970	-\$2,052,189	\$21,565,781
		\$298,717		\$0	\$460,494		\$460,494
-\$4,908,884		\$4,259,264	\$0	\$0	\$5,425,908		\$5,425,908
\$509,277			\$0	\$0	\$727,552		\$727,552
-\$123,543	\$1,721,857	\$2,219,153	\$0	\$154,546	\$2,777,457		\$2,777,457
-\$4,523,150	\$1,721,857	\$6,478,417	\$0	\$154,546	\$8,930,917	\$0	\$8,930,917
\$12,987,248	\$1,726,502	\$9,382,331	\$0	\$174,722	\$33,009,381	-\$2,052,189	\$30,957,192

HA Of Pierce County (WA054)  
Tacoma, WA  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	Project Total	10.415 Rural Rental Housing Loans	10.427 Rural Rental Assistance Payments	14.871 Housing Choice Vouchers
70300 Net Tenant Rental Revenue	\$462,017	\$138,099		
70400 Tenant Revenue - Other	\$31,315	\$11,217		
70500 Total Tenant Revenue	\$493,332	\$149,316	\$0	\$0
70600 HUD PHA Operating Grants	\$499,245			\$24,500,857
70610 Capital Grants	\$88,000			
70710 Management Fee				
70720 Asset Management Fee				
70730 Book Keeping Fee				
70740 Front Line Service Fee				
70750 Other Fees				
70700 Total Fee Revenue				
70800 Other Government Grants		\$28,012	\$83,658	
71100 Investment Income - Unrestricted	\$7,663	\$30		\$361
71200 Mortgage Interest Income				
71300 Proceeds from Disposition of Assets Held for Sale				
71310 Cost of Sale of Assets				
71400 Fraud Recovery				\$57,398
71500 Other Revenue	\$334,072			\$254,813
71600 Gain or Loss on Sale of Capital Assets	-\$2,297			
72000 Investment Income - Restricted				\$0
70000 Total Revenue	\$1,420,015	\$177,358	\$83,658	\$24,813,429
91100 Administrative Salaries	\$160,905			\$839,184
91200 Auditing Fees	\$9,074			\$56,447
91300 Management Fee		\$13,500		
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit contributions - Administrative	\$44,002			\$241,409
91600 Office Expenses	\$104,252			\$12,173
91700 Legal Expense		\$505		\$2,039
91800 Travel				\$8,918
91810 Allocated Overhead				\$288,169
91900 Other				\$2,763
91000 Total Operating - Administrative	\$318,233	\$14,005	\$0	\$1,451,102
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other				
92500 Total Tenant Services	\$0	\$0	\$0	\$0
93100 Water	\$3,188	\$4,087		
93200 Electricity	\$2,513	\$2,173		

HA Of Pierce County (WA054)  
Tacoma, WA  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

93300 Gas	\$393			
93400 Fuel				
93500 Labor				
93600 Sewer		\$11,361		
93700 Employee Benefit Contributions - Utilities				
93800 Other Utilities Expense	\$803	\$15,366		
93000 Total Utilities	\$6,897	\$32,987	\$0	\$0
94100 Ordinary Maintenance and Operations - Labor	\$224,375	\$8,332		
94200 Ordinary Maintenance and Operations - Materials and Other	\$105,898	\$657		
94300 Ordinary Maintenance and Operations Contracts	\$102,199	\$10,144		
94500 Employee Benefit Contributions - Ordinary Maintenance	\$70,557	\$3,059		
94000 Total Maintenance	\$503,029	\$22,192	\$0	\$0
95100 Protective Services - Labor				
95200 Protective Services - Other Contract Costs		\$627		
95300 Protective Services - Other				
95500 Employee Benefit Contributions - Protective Services				
95000 Total Protective Services	\$0	\$627	\$0	\$0
96110 Property Insurance				
96120 Liability Insurance	\$209,931	\$24,614		\$179,462
96130 Workmen's Compensation	\$7,774	\$180		\$3,904
96140 All Other Insurance				
96100 Total Insurance Premiums	\$217,705	\$24,794	\$0	\$183,366
96200 Other General Expenses	\$146,541	\$1,700		\$141,364
96210 Compensated Absences				
96300 Payments in Lieu of Taxes	\$45,512			
96400 Bad debt - Tenant Rents	\$13,997			
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$206,050	\$1,700	\$0	\$141,364
96710 Interest of Mortgage (or Bonds) Payable		\$31,516		
96720 Interest on Notes Payable (Short and Long Term)				
96730 Amortization of Bond Issue Costs				
96700 Total Interest Expense and Amortization Cost	\$0	\$31,516	\$0	\$0
96900 Total Operating Expenses	\$1,251,914	\$127,821	\$0	\$1,775,832
97000 Excess of Operating Revenue over Operating Expenses	\$168,101	\$49,537	\$83,658	\$23,037,597
97100 Extraordinary Maintenance	\$240,284			
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments	\$15,113		\$83,658	\$22,773,463
97350 HAP Portability-In				\$224,097
97400 Depreciation Expense	\$334,129	\$20,098		\$22,358

HA Of Pierce County (WA054)  
Tacoma, WA  
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

97500	Fraud Losses				
97600	Capital Outlays - Governmental Funds				
97700	Debt Principal Payment - Governmental Funds				
97800	Dwelling Units Rent Expense				
90000	Total Expenses	\$1,841,440	\$147,919	\$83,658	\$24,795,750
10010	Operating Transfer In	\$222,896			
10020	Operating transfer Out	-\$222,896			
10030	Operating Transfers from/to Primary Government				
10040	Operating Transfers from/to Component Unit				
10050	Proceeds from Notes, Loans and Bonds				
10060	Proceeds from Property Sales				
10070	Extraordinary Items, Net Gain/Loss				
10080	Special Items (Net Gain/Loss)				
10091	Inter Project Excess Cash Transfer In				
10092	Inter Project Excess Cash Transfer Out				
10093	Transfers between Program and Project - In				
10094	Transfers between Project and Program - Out				
10100	Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$421,425	\$29,439	\$0	\$17,679
11020	Required Annual Debt Principal Payments	\$0	\$19,337	\$0	\$0
11030	Beginning Equity	\$6,596,090	\$233,684	\$0	-\$904,165
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$125,847	-\$3,362		-\$322,846
11050	Changes in Compensated Absence Balance				
11060	Changes in Contingent Liability Balance				
11070	Changes in Unrecognized Pension Transition Liability				
11080	Changes in Special Term/Severance Benefits Liability				
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents				
11100	Changes in Allowance for Doubtful Accounts - Other				
11170	Administrative Fee Equity				-\$1,365,067
11180	Housing Assistance Payments Equity				\$155,735
11190	Unit Months Available	1483	240	240	34228
11210	Number of Unit Months Leased	1454	228	228	29458
11270	Excess Cash	\$85,848			
11610	Land Purchases	\$0			
11620	Building Purchases	\$174,067			
11630	Furniture & Equipment - Dwelling Purchases	\$45,375			
11640	Furniture & Equipment - Administrative Purchases	\$0			
11650	Leasehold Improvements Purchases	\$0			
11660	Infrastructure Purchases	\$0			
13510	CFFP Debt Service Payments	\$0			
13901	Replacement Housing Factor Funds	\$0			

6.2 Component Unit - Blended	8 Other Federal Program 1	1 Business Activities	14.896 PIH Family Self-Sufficiency Program	14.856 Lower Income Housing Assistance Program_Section 8 Moderate	Subtotal	ELIM	Total
\$4,415,898		\$1,184,337		\$0	\$6,200,351		\$6,200,351
\$152,961		\$51,427		\$0	\$246,920		\$246,920
\$4,568,859	\$0	\$1,235,764	\$0	\$0	\$6,447,271	\$0	\$6,447,271
			\$138,000	\$84,580	\$25,222,682		\$25,222,682
				\$0	\$88,000		\$88,000
				\$0			
				\$0			
				\$0			
				\$0			
				\$0	\$0	\$0	\$0
				\$0	\$111,670		\$111,670
\$1,347	\$7,602	\$36,241		\$75	\$53,319		\$53,319
				\$0			
				\$0			
				\$0	\$57,398		\$57,398
		\$13,500		\$0	\$602,385		\$602,385
-\$16,549		-\$4,584		\$0	-\$23,430		-\$23,430
				\$0	\$0		\$0
\$4,553,657	\$7,602	\$1,280,921	\$138,000	\$84,655	\$32,559,295	\$0	\$32,559,295
\$266,260	\$2,159	\$122,051	\$100,149	\$1,637	\$1,492,345		\$1,492,345
\$19,395	\$1,277	\$5,490		\$367	\$92,050		\$92,050
				\$0	\$13,500		\$13,500
				\$0			
\$84,779	\$326	\$33,605	\$33,111	\$445	\$437,677		\$437,677
\$10,663		\$18,478		\$0	\$145,566		\$145,566
\$24,321		\$9,117		\$0	\$35,982		\$35,982
				\$0	\$8,918		\$8,918
\$298,005	\$1,816	\$166,674		\$1,949	\$756,613		\$756,613
			\$4,143	\$0	\$6,906		\$6,906
\$703,423	\$5,578	\$355,415	\$137,403	\$4,398	\$2,989,557	\$0	\$2,989,557
				\$0			
				\$0			
				\$0			
\$3,309		\$11,182		\$0	\$14,491		\$14,491
\$3,309	\$0	\$11,182	\$0	\$0	\$14,491	\$0	\$14,491
\$183,349		\$29,825		\$0	\$220,449		\$220,449
\$55,008		\$48,628		\$0	\$108,322		\$108,322

				\$0	\$393		\$393
				\$0			
				\$0			
\$343,405		\$101,546		\$0	\$456,312		\$456,312
				\$0			
\$9,996				\$0	\$26,165		\$26,165
\$591,758	\$0	\$179,999	\$0	\$0	\$811,641	\$0	\$811,641
\$483,577		\$184,756		\$0	\$901,040		\$901,040
\$610,140		\$69,704		\$0	\$786,399		\$786,399
\$1,296,679		\$408,449		\$0	\$1,817,471		\$1,817,471
\$142,907	\$27	\$58,283		\$0	\$274,833		\$274,833
\$2,533,303	\$27	\$721,192	\$0	\$0	\$3,779,743	\$0	\$3,779,743
				\$0			
\$35,250		\$3,183		\$0	\$39,060		\$39,060
				\$0			
				\$0			
\$35,250	\$0	\$3,183	\$0	\$0	\$39,060	\$0	\$39,060
\$142,749	\$1,659	\$144,298		\$0	\$288,706		\$288,706
				\$926	\$414,933		\$414,933
\$18,465	\$5	\$7,743		\$1	\$38,072		\$38,072
				\$0			
\$161,214	\$1,664	\$152,041	\$0	\$927	\$741,711	\$0	\$741,711
\$56,880	\$253	\$37,236		\$0	\$383,974		\$383,974
		\$128	\$597	\$0	\$725		\$725
				\$0	\$45,512		\$45,512
\$85,844		\$19,038		\$0	\$118,879		\$118,879
				\$0			
				\$0			
\$142,724	\$253	\$56,402	\$597	\$0	\$549,090	\$0	\$549,090
\$984,331				\$0	\$1,015,847		\$1,015,847
				\$0			
				\$0			
\$984,331	\$0	\$0	\$0	\$0	\$1,015,847	\$0	\$1,015,847
\$5,155,312	\$7,522	\$1,479,414	\$138,000	\$5,325	\$9,941,140	\$0	\$9,941,140
-\$601,655	\$80	-\$198,493	\$0	\$79,330	\$22,618,155	\$0	\$22,618,155
				\$0	\$240,284		\$240,284
				\$0			
				\$69,595	\$22,941,829		\$22,941,829
				\$0	\$224,097		\$224,097
\$861,920	\$142	\$309,229		\$71	\$1,547,947		\$1,547,947

				\$0			
				\$0			
				\$0			
				\$0			
\$6,017,232	\$7,664	\$1,788,643	\$138,000	\$74,991	\$34,895,297	\$0	\$34,895,297
				\$0	\$222,896	-\$222,896	\$0
				\$0	-\$222,896	\$222,896	\$0
				\$0			
\$1,188,937		-\$1,188,937		\$0	\$0		\$0
				\$0			
				\$0			
				\$0			
				\$0			
				\$0			
				\$0			
				\$0			
\$1,188,937	\$0	-\$1,188,937	\$0	\$0	\$0	\$0	\$0
-\$274,638	-\$62	-\$1,696,659	\$0	\$9,664	-\$2,336,002	\$0	-\$2,336,002
\$263,849	\$0	\$0	\$0	\$0	\$283,186		\$283,186
-\$3,935,689	\$1,722,338	\$8,314,262	\$0	\$145,318	\$12,171,838		\$12,171,838
-\$312,823	-\$419	-\$139,186		-\$436	-\$904,919		-\$904,919
				\$0			
				\$0			
				\$0			
				\$0			
				\$0			
				\$0			
				\$0			
				\$0			
				\$0			
				\$0			
				\$0	-\$1,365,067		-\$1,365,067
				\$0	\$155,735		\$155,735
5724		2244	0	176	44335		44335
5572		2182	0	176	39298		39298
				\$0	\$85,848		\$85,848
				\$0	\$0		\$0
				\$0	\$174,067		\$174,067
				\$0	\$45,375		\$45,375
				\$0	\$0		\$0
				\$0	\$0		\$0
				\$0	\$0		\$0
				\$0	\$0		\$0
				\$0	\$0		\$0
				\$0	\$0		\$0
				\$0	\$0		\$0
				\$0	\$0		\$0



**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER  
UNIFORM GUIDANCE**

**Pierce County Housing Authority  
January 1, 2018 through December 31, 2018**

This schedule presents the corrective action planned by the Housing Authority for findings reported in this report in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

<b>Finding ref number:</b> <b>2018-001</b>	<b>Finding caption:</b> The Housing Authority’s internal controls over accounting and financial reporting were inadequate to ensure accurate and timely reporting and the prevention and detection of fraud.
<b>Name, address, and telephone of Authority contact person:</b> Elinor Ottey, Acting Executive Director 603 South Polk Street Tacoma, WA 98444	
<b>Corrective action the auditee plans to take in response to the finding:</b> <i>PCHA has contracted with a nationally recognized firm with deep knowledge and understanding of public housing authorities to conduct a complete assessment of current financial processes and procedures and to implement strong internal control systems in the agency’s financial systems, including:</i> <ul style="list-style-type: none"> <li>• <i>System of review for all financial transactions pre and post processing by both finance and executive staff</i></li> <li>• <i>Dual review of bank statements by executive staff</i></li> <li>• <i>Restriction of wire transfer capabilities and limits on amounts allowed in a single transfer</i></li> <li>• <i>Implementation of dual approval procedures for all wire transfers</i></li> <li>• <i>Ongoing training for finance staff, executive staff and board members on review of journal entries, bank statements, and ACH payments</i></li> <li>• <i>Collaboration with software provider to expand the current system’s capabilities or transition to more appropriate financial software</i></li> </ul>	



<ul style="list-style-type: none"> <li>• <i>Identification of bank accounts needed to avoid co-mingling restricted funds and eliminating all unnecessary accounts.</i></li> </ul>
<p><b>Anticipated date to complete the corrective action:</b> June 30, 2020</p>

<p><b>Finding ref number:</b> 2018-002</p>	<p><b>Finding caption:</b> The Housing Authority did not have adequate controls in place to ensure compliance with federal program requirements.</p>
<p><b>Name, address, and telephone of Authority contact person:</b> Elinor Ottey, Acting Executive Director 603 South Polk Street Tacoma, WA 98444</p>	
<p><b>Corrective action the auditee plans to take in response to the finding:</b> <i>As described above, PCHA has contracted with a nationally recognized firm with deep knowledge and understanding of public housing authorities to conduct a complete assessment of current financial processes and procedures and to implement strong internal control systems in the agency's financial systems that includes compliance with federal program requirements, including:</i></p> <ul style="list-style-type: none"> <li>• <i>System of review for all financial transactions pre and post processing by both finance and executive staff</i></li> <li>• <i>Dual review of bank statements by executive staff</i></li> <li>• <i>Restriction of wire transfer capabilities and limits on amounts allowed in a single transfer</i></li> <li>• <i>Implementation of dual approval procedures for all wire transfers</i></li> <li>• <i>Ongoing training for finance staff, executive staff and board members on review of journal entries, bank statements, and ACH payments</i></li> <li>• <i>Collaboration with software provider to expand the current system's capabilities or transition to more appropriate financial software</i></li> <li>• <i>Separation of bank accounts housing federal funds and removal of the 'sweep' function.</i></li> <li>• <i>System of review for HCV-related funds that includes collaboration between finance and HCV management staff.</i></li> </ul>	
<p><b>Anticipated date to complete the corrective action:</b> May 31, 2020</p>	

## 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.

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