NORTH EAST COMMUNITY ACTION CORPORATION AND SUBSIDIARIES

SINGLE AUDIT REPORT

SEPTEMBER 30, 2024

NORTH EAST COMMUNITY ACTION CORPORATION AND SUBSIDIARIES

BOWLING GREEN, MISSOURI

CONTENTS

NORTH EAST COMMUNITY ACTION CORPORATION AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	AL NUMBER	PASS-THROUGH GRANTORS NUMBER	TOTAL FEDERAL EXPENDITURES
U.S. Department of Housing and Urban Development			
CDBG - Entitlement Grants Cluster:			
Passed through City of St. Charles, Missouri			
Community Development Block Grants/Entitlement Grants	14.218		$ 35,607
Passed through Local Initiatives Support Corp			
Community Compass Technical Assistance and Capacity Building	14.252	PA #43112-0031	18,000
Community Compass Technical Assistance and Capacity Building	14.252	PA #43112-0029	22,489
			40,489
Housing Voucher Cluster:			
Passed through St. Charles County, Missouri			
Section 8 Housing Choice Vouchers	14.871		5,995,458
Mainstream Vouchers	14.879		564,874
Total Housing Voucher Cluster			6,560,332
Passed through St. Charles County, Missouri			
PIH Family Self-Sufficiency Program	14.896		68,572
Passed through NeighborWorks America			
Housing Counseling Assistance Program	14.169		31,300
Total U.S. Department of Housing and Urban Development			6,736,300
U.S. Department of Energy			
Passed through Missouri Department of Natural Resources/ Division Of Energy:			
Weatherization Assistance for Low-Income Persons	81.042	G-23-EE0009912-2-14	542,032
Weatherization Assistance for Low-Income Persons	81.042	G-24-EE0009912-3-14	58,721
Weatherization Assistance for Low-Income Persons	81.042	G-22-EE0009997-14	881,593
Total U.S. Department of Energy			1,482,346
U.S. Department of Treasury			
Neighbor Works America	99.U01	Public Law 118-42	75,000
Neighbor Works America	99.U01	Public Law 116-94	97,930
COVID-19 Neighbor Works America - Housing Stability Counseling Program	99.U19	Public Law 117-2	36,343
Passed through Missouri Housing Development Corp			
COVID-19 Mortgage Assistance Counseling Program	21.026	MC-H1019	59,905
Emergency Rental Assistance Program	21.023	HS24-1019	23,253
Total U.S. Department of Treasury			292,431
U.S. Department of Homeland Security			
Emergency Food and Shelter National Board Program	97.024		16,119
Total U.S. Department of Homeland Security			16,119

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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NORTH EAST COMMUNITY ACTION CORPORATION AND SUBSIDIARIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	AL NUMBER	PASS-THROUGH GRANTORS NUMBER	TOTAL FEDERAL EXPENDITURES
U.S. Department of Health and Human Services:			
477 Cluster:			
Passed through Missouri Department of Social Services:			
Community Services Block Grant	93.569	PG282300012	$ 1,009,548
Community Services Block Grant	93.569	PG282400012	394,949
Passed through Missouri CAN:			
Temporary Assistance for Needy Families	93.558	CS200821001-NECAC	68,706
Temporary Assistance for Needy Families	93.558	SkillupFY2023-NECAC	21,151
Total 477 Cluster			1,494,354
Aging Cluster:			
Passed through Division of Health and Senior Services:			
Special Programs for the Aging, Title III, Part B			
NMAAA	93.044		112,995
NMAAA - program income	93.044		400
Total Aging Cluster			113,395
Passed through Missouri Department of Natural Resources:			
Low-Income Home Energy Assistance	93.568	G-23-LIHEAP-EMER-14	1,065
Low-Income Home Energy Assistance	93.568	G-24-LIHEAP-24-14	491,324
Passed through Missouri Department of Social Services:			
Low-Income Home Energy Assistance	93.568	ER11023013	154,781
COVID-19 Low-Income Home Energy Assistance	93.568	ER11021013-ARPA	3,479,707
Passed through Division of Health and Senior Services:			
National Family Caregiver Support, Title III, Part E			
NMAAA	93.052		27,869
Total U.S. Department of Health and Human Services			5,762,495
U.S. Department of Agriculture			
Rural Housing Preservation Grant	10.433		114,109
Rural Self-Help Housing Technical Assistance	10.420		105,143
Rural Rental Housing Loans	10.415	Interest subsidy	128,958
Rural Rental Housing Loans	10.415	Loan	2,493,233
Rural Rental Assistance Payments	10.427	Rental Assistance	191,532
Passed through Missouri CAN:			
Supplemental Nutrition Assisstance Program	10.551	SKILLUPFY23-NECAC	16,155
Passed through Missouri Department of Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	ERS04524033	350,871
Total U.S. Department of Agriculture			3,400,001
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 17,689,692

See Accompanying Notes to Schedule of Expenditures of Federal Awards

NORTH EAST COMMUNITY ACTION CORPORATION AND SUBSIDIARIES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal awards were expended in the form of noncash assistance.

NOTE 2 - INDIRECT COST RATE

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance. The Organization uses a negotiated indirect cost rate per a proposal submitted to and approved by the Department of Health and Human Services, the Organization's cognizant agency.

NOTE 3 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of North East Community Action Corporation and Subsidiaries (the Organization) under programs of the federal government for the year ended September 30, 2024. 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 the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 4 - LOANS PAYABLE

The Organization has outstanding loans from U.S. Department of Housing and Urban Development and the United States Department of Agriculture. Balances and transactions relating to this program are included in the Organization's basic financial statements. No new loans were made during the year that need to be included in the Schedule.

The balance of the loans outstanding at September 30, 2024 are as follows:

Supportive House for the Elderly Section 202 (CFDA 14.157)	$ 4,355,000
Home Investment Partnership Program Passed through the Missouri Housing Development Commission (CFDA 14.239)	848,604
Rural Rental Housing Loans (CFDA 10.415)	2,493,233

NOTE 5 - SUBRECIPIENT

There were no awards passed through to sub-recipients.

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

Board of Directors
NORTH EAST COMMUNITY ACTION CORPORATION AND SUBSIDIARIES

We have audited, in accordance with 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 North East Community Action Corporation and Subsidiaries (a nonprofit organization), which comprise the statement of financial position as of September 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered North East Community Action Corporation and Subsidiaries' 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 North East Community Action Corporation and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of the North East Community Action Corporation and Subsidiaries' 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 the 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 items 2024-001 and 2024-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether North East Community Action Corporation and Subsidiaries' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 three 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 items 2024-003, 2024-004 and 2024-005.

North East Community Action Corporation and Subsidiaries' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the North East Community Action Corporation and Subsidiaries' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. North East Community Action Corporation and Subsidiaries' 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 Organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

UHY LLP

St. Charles, Missouri
June 25, 2025

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
NORTH EAST COMMUNITY ACTION CORPORATION AND SUBSIDIARIES

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the North East Community Action Corporation and Subsidiaries' (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of North East Community Action Corporation and Subsidiaries' major federal programs for the year ended September 30, 2024. North East Community Action Corporation and Subsidiaries' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on U.S. Department of Housing and Urban Development Housing Voucher Cluster; AL No. 14.871 Section 8 Housing Choice Vouchers and AL No. 14.879 Mainstream Vouchers

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report North East Community Action Corporation and Subsidiaries complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on U.S. Department of Housing and Urban Development Housing Voucher Cluster; AL No. 14.871 Section 8 Housing Choice Vouchers and AL No. 14.879 Mainstream Vouchers for the year ended September 30, 2024.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, North East Community Action Corporation and Subsidiaries, complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questions costs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of North East Community Action Corporation and Subsidiaries and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of North East Community Action Corporation and Subsidiaries' compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion U.S. Department of Housing and Urban Development Housing Voucher Cluster; AL No. 14.871 Section 8 Housing Choice Vouchers and AL No. 14.879 Mainstream Vouchers

As described in the accompanying schedule of findings and questioned costs, North East Community Action Corporation and Subsidiaries did not comply with requirements regarding, the U.S. Department of Housing and Urban Development Housing Voucher Cluster as described in finding numbers 2024-003 for Allowable Cost/Cost Principles.

Compliance with such requirements is necessary, in our opinion, for North East Community Action Corporation and Subsidiaries to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to North East Community Action Corporation and Subsidiaries' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on North East Community Action Corporation and Subsidiaries' compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about North East Community Action Corporation and Subsidiaries' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 North East Community Action Corporation and Subsidiaries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of North East Community Action Corporation and Subsidiaries' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 North East Community Action Corporation and Subsidiaries' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed two instances of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as items 2024-004 and 2024-005. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on North East Community Action Corporation and Subsidiaries' response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. North East Community Action Corporation and Subsidiaries' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we noted deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-003 and 2024-004 to be a material weakness.

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 attention by those charged with governance

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on North East Community Action Corporation and Subsidiaries' response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. North East Community Action Corporation and Subsidiaries' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of North East Community Action Corporation and Subsidiaries (a nonprofit organization), as of and for the year ended September 30, 2024, and have issued our report thereon dated June 25, 2025, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated 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 and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

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.

UHY LLP

St. Charles, Missouri
June 25, 2025

A. **Summary of Audit Results**

1. The auditors' report expresses an unmodified opinion on whether the financial statements of North East Community Action Corporation and Subsidiaries were prepared in accordance with GAAP.

2. Two material weaknesses relating to the audit of the financial statements is reported in the *Independent Auditor's 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.*

3. No instances of noncompliance material to the financial statements of North East Community Action Corporation and Subsidiaries, were reported in accordance with *Government Auditing Standards.*

4. Two material weaknesses in internal control over major federal award programs were disclosed during the audit, and reported in the *Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance*.

5. The auditor's report on compliance for the major federal awards programs expresses a qualified opinion on the U.S. Department of Housing and Urban Development Housing Voucher Cluster and unmodified opinion on U.S. Department of Energy AL No. 81.042 Weatherization Assistance for Low-Income Persons major federal programs.

6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in the Schedule.

7. The programs tested as major programs include: U.S. Department of Housing and Urban Development Housing Voucher Cluster – AL No. 14.871 Section 8 Housing Choice Vouchers and AL No. 14.879 Mainstream Vouchers; and U.S. Department of Energy - AL No. 81.042 Weatherization Assistance for Low-Income Persons.

8. The threshold used for distinguishing between Type A and B programs was $750,000.

9. North East Community Action Corporation and Subsidiaries was determined not to be a low risk auditee.

B. **Findings - Financial Statement Audit**

<u>2024-001 Approval of Journal Entries- Material Weakness</u>

Condition and Criteria: Journal entries made by the Finance Director and Assistant Finance Director are not reviewed and approved by an independent party prior to being posted to the general ledger.

Cause: The Agency does not have a formal process for review and approval of all journal entries.

Effect: There is an increased the risk of errors or fraudulent transactions going undetected which could lead to inaccurate financial reporting

Context: During the audit, it was noted journal entries made by the Finance Director and Assistant Finance Director are not consistently reviewed and approved by an independent party prior to being posted to the general ledger. They make relatively few entries and those made are primarily for corrections as part of their review process.

*Views of Responsible Officials and Planned Corrective Actions: The Agency concurs and m*anagement has implemented a formal and documented process for the review and approval of all journal entries which includes 1) independent review by someone not involved in the original entry and 2) Approval documentation, including justification and supporting evidence.

<u>2024-002 U.S. Department of Housing and Urban Development Housing Voucher Cluster - 14.871 Section 8 Housing Choice Vouchers and 14.879 Mainstream Vouchers - Material Weakness</u>

Condition and Criteria: The Agency is to retain supporting documentation for individuals served by the program to support assistance payments made to these individuals. The Agency was unable to retrieve some of their scanned documentation for part of the year audited (four tenants in the sample).

Cause: The Agency relies solely on an outside vendor to back-up their data. The Agency switched vendors for part of the year audited and upon terminating the agreement with that vendor, some scanned documentation was lost and is irretrievable. The Agency did not maintain paper files.

Effect: There is a possibility rental assistance payments could be considered disallowed expenditures due to lack of supporting documentation identified.

Context: The Agency identified the issue and recreated lost documentation to the best of their ability. A sample of grants totaling $33,038 was selected for audit from a population of $6,470,217. The test found questioned costs totaling $1,962. Our sample was a statistically valid sample.

Auditor's Recommendation: The Agency should retain paper documentation for at least two years in addition to ensuring there are adequate back-up procedures in place.

Views of Responsible Officials and Planned Corrective Actions: The Agency concurs and has attempted to recreate all lost documentation, but some could not be reconstructed. The recommendation to retain paper documentation has been implemented.

C. **Findings and Questioned Costs - Major Federal Award Programs Audit**

2024-003 U.S. Department of Housing and Urban Development Housing Voucher Cluster - 14.871 Section 8 Housing Choice Vouchers and 14.879 Mainstream Vouchers - Material Weakness

Condition and Criteria: The Agency is to retain supporting documentation for individuals served by the program to support assistance payments made to these individuals. The Agency was unable to retrieve some of their scanned documentation for part of the year audited (four tenants in the sample).

Cause: The Agency relies solely on an outside vendor to back-up their data. The Agency switched vendors for part of the year audited and upon terminating the agreement with that vendor, some scanned documentation was lost and is irretrievable. The Agency did not maintain paper files.

Effect: There is a possibility rental assistance payments could be considered disallowed expenditures due to lack of supporting documentation identified.

Context: The Agency identified the issue and recreated lost documentation to the best of their ability. A sample of grants totaling $33,038 was selected for audit from a population of $6,470,217. The test found questioned costs totaling $1,962. Our sample was a statistically valid sample.

Auditor's Recommendation: The Agency should retain paper documentation for at least two years in addition to ensuring there are adequate back-up procedures in place.

Views of Responsible Officials and Planned Corrective Actions: The Agency concurs and has attempted to recreate all lost documentation, but some could not be reconstructed. The recommendation to retain paper documentation has been implemented.

2024-004 U.S. Department of Housing and Urban Development Housing Voucher Cluster - 14.871 Section 8 Housing Choice Vouchers and 14.879 Mainstream Vouchers- Material Weakness

Condition and Criteria: An assistance payment was calculated incorrectly due to errors in data entry. Eligibility for the program requires payment based on substantiated income and expense of the applicants.

Cause: Human error in the calculation of income allowance which affected the assistance payment.

Effect: The cost of the assistance may be disallowed.

Context: A sample of grants totaling $33,038 was selected for audit from a population of $6,470,217. The test found questioned costs totaling $36. Our sample was a statistically valid sample.

Auditor's Recommendation: The Agency should develop a monitoring process to review the calculation of assistance payments. Additionally, the staff should be provided additional training to ensure accuracy when entering income and expenses supported by applicants' documentation.

C. **Findings and Questioned Costs - Major Federal Award Programs Audit** - continued

Views of Responsible Officials and Planned Corrective Actions: The Agency concurs and is implementing this recommendation.

2024-005 U.S. Department of Housing and Urban Development Housing Voucher Cluster - 14.871 Section 8 Housing Choice Vouchers and 14.879 Mainstream Vouchers

Condition and Criteria: The Agency must inspect the unit leased to a family at least biennially to determine if the unit meets Housing Quality Standards (HQS). The Agency did not perform inspections for one unit in our sample.

Cause: Procedures are in place for performing inspections, but due to inspector turnover, the inspections were not performed during the fiscal year.

Effect: There is a possibility that sanctions could be imposed if they do not perform inspections as required by the program.

Context: The Agency is aware of the requirement and has promoted an Inspector to oversee the processes and ensure the Agency is complying with the requirements.

Auditor's Recommendation: The Agency should train additional staff as needed to insure the Agency can perform inspections timely as required by HUD guidelines.

Views of Responsible Officials and Planned Corrective Actions: The Agency concurs and is implementing this recommendation.

D. **Summary of Prior Audit Findings**

None.