



Housing Authority of La Joya

Financial Statements & Independent Auditors' Report

For the Year Ended December 31, 2020



Housing Authority of the City of La Joya

Table of Contents

For the Year Ended December 31, 2020

	<u>Page</u>
FINANCIAL INFORMATION	
Independent Auditors' Report	1
Management's Discussion and Analysis	i
Basic Financial Statements:	
Statement of Net Position	3
Statement of Revenues, Expenses, & Change in Net Position	4
Statement of Cash Flows	5
Notes to Financial Statements	6
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	16
Statement of Certification of Actual Capital Fund Program Costs – Uncompleted	17
NON-FINANCIAL SECTION	
Report on Internal Control over Financial Reporting and Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	18
Report on Compliance for each Major Federal Program; and Report on Internal Control over Compliance in Accordance with the <i>Uniform Guidance</i>	20
Schedule of Findings and Questioned Costs	22
Summary Schedule of Prior Audit Findings	34
Corrective Action Plan	35



Smith Marion & Co. · Certified Public Accountants

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Board of Commissioners
Housing Authority of the City of La Joya
La Joya, Texas

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities of the Housing Authority of the City of La Joya as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of La Joya, as of December 31, 2020, and the respective change in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages i-x be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of La Joya’s basic financial statements. The Statement of Modernization Costs – Uncompleted, and the Schedule of Expenditures of Federal Awards, which is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Statement of Modernization Costs – Uncompleted, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, the supplementary information, as described in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2022, on our consideration of the Housing Authority’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Housing Authority of the City of La Joya’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Housing Authority of the City of La Joya’s internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Smith Martin & Co". The signature is written in a cursive, flowing style.

May 9, 2022

***La Joya Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2020***

Introduction

This Management's Discussion and Analysis (MD&A) of the La Joya Housing Authority (Authority) provides an introduction and overview to the financial statements of the La Joya Housing Authority for the fiscal year ended December 31, 2020. The La Joya Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended December 31, 2020, to assist the reader in focusing on significant financial issues.

The primary focus of the Authority's financial statements is on the statements of its single enterprise fund encompassing all programs administered by the La Joya Housing Authority. This information contained herein this MD&A should be considered in conjunction with the Authority's financial statements and related notes to the financial statements.

The Authority has several individual programs. These programs are listed as follows:

- **Low Rent Public Housing Program:** The Low Rent Program consists of 50 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received by the Department of Housing & Urban Development based on a formula.
- **Capital Fund Program:** The Capital Fund program is also funded from HUD based on a formula. The purpose of this program is to provide funding for the modernization and improvement of the Low Rent Public Housing Program. These resources allow the Housing Authority to provide capital improvements for the current dwelling structures and assist in their operations.
- **Housing Choice Voucher Program:** The Housing Choice Voucher Program provides rental assistance to aid low-income families to afford, decent, safe and sanitary rental housing. The Housing Authority provides rental assistance in the form of a Housing Assistance Payment to a landlord on behalf of the tenant. The Housing Authority currently has 83 units available. Funds are provided by HUD to provide rental assistance payments. The Housing Authority is provided an administrative fee for the purpose of covering the administrative costs of the program. The fee is preset by HUD on an annual basis.

***La Joya Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Continued)***

Overview of the Financial Statements

This overview of the financial statement is intended to inform and introduce the reader to the Authority's financial statements. The financial statements are comprised of three individual statements. These statements include:

- The Statement of Net Position
- The Statement of Revenues, Expense, and Changes in Net Position
- The Statement of Cash Flows

The Statement of Net Position presents information on the assets, deferred outflows or resources, and liabilities, and deferred inflows of resources with the differences between the two being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial situation of the Authority is improving or deteriorating. Net Position is comprised of three individual components:

- *Net Investment in Capital Assets* consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with the acquisition of these assets.
- *Restricted Component of Net Position* consists of resources that are restricted by limitations placed on these resources by an external source or imposed by law through constitutional provisions.
- *Unrestricted Component of Net Position* represents the remaining resources available that does not meet the definition of the above categories. The unrestricted component of net position is basically the amount of resources available for future year appropriations.

***La Joya Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Continued)***

The Statement of Revenues, Expenses, and Changes in Net Position reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended December 31, 2020, to determine the change in net position for the fiscal year.

The Statement of Cash Flows report cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended December 31, 2020.

Financial Highlights

- The La Joya Housing Authority's Net Position decreased from the December 31, 2019, balance of \$1,116,729 to the December 31, 2020, balance of \$1,039,298, a decrease of \$84,425 or 8%. Total assets also decreased during the same time frame by \$33,842 or 3%.
- Total revenues decreased from \$948,799 earned for the year ended December 31, 2019, to \$859,790 earned for the year ended December 31, 2020, a decrease of \$89,099 or 9%.
- Total expenses decreased by \$158,346, from \$1,102,471 incurred for the year ended December 31, 2019, to \$944,125 incurred for the year ended December 31, 2020. This represents a decrease of 14%.

Housing Authority Activities & Highlights

The Housing Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The table below lists the asset and liability comparisons for the year ended December 31, 2020 and December 31, 2019.

***La Joya Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Continued)***

***Summary Statement of Net Position
As of December 31, 2020 & 2019***

Category	12/31/2020	12/31/2019	Change \$	Change %
Current Assets	\$ 210,904	\$ 111,043	\$ 99,861	90%
Fixed Assets (Net of Depreciation)	\$ 1,092,142	\$ 1,225,845	\$ (133,703)	-11%
Total Assets	\$ 1,303,046	\$ 1,336,888	\$ (33,842)	-3%
Deferred Outflow of Resources	\$ -	\$ -	\$ -	N/A
Current Liabilities	\$ 270,725	\$ 220,155	\$ 50,570	23%
Non Current Liabilities	\$ 17	\$ 4	\$ 13	325%
Total Liabilities	\$ 270,742	\$ 220,159	\$ 50,583	23%
Deferred Inflow of Resources	\$ -	\$ -	\$ -	N/A
Unrestricted	\$ (70,164)	\$ (139,287)	\$ 69,123	-50%
Restricted	\$ 10,326	\$ 30,171	\$ (19,845)	-66%
Net Investment in Capital Assets	\$ 1,092,142	\$ 1,225,845	\$ (133,703)	-11%
Total Net Position	\$ 1,032,304	\$ 1,116,729	\$ (84,425)	-8%

Current Assets

Current assets increased by \$99,861 due primarily to an increase in cash in the amount of \$176,237 and a decrease in accounts receivable in the amount of \$76,376. Current year operating revenues exceeding operating expenditures in the amount of \$55,576.

Noncurrent Assets

Noncurrent assets decreased by \$133,703. See the capital asset section for further information.

Current Liabilities

Current liabilities increased by \$50,750. This was primarily due to an increase in wages payroll taxes payable of \$41,396, accounts payable – other government of \$8,430, tenant security deposits of \$8,450, and unearned revenue in the amount of \$17,276 offset by a decrease in accounts payable vendors in the amount of \$24,451.

Noncurrent Liabilities

Noncurrent liabilities increased by \$13 due to an increase of noncurrent accrued employee leave.

***La Joya Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Continued)***

Net Position

Restricted

The restricted component of net position of the authority decreased by \$19,845 from the previous fiscal year. The decrease was due to the restricted net position in the HCV program as a result of excess HAP expenditures over HAP funding.

Unrestricted

The Authority's unrestricted component of Net Position changed from (\$139,287) to (\$70,164), a change of \$69,123 for the current year. This balance is subject to program specific guidelines.

The individual program balances that comprise the unrestricted component of net position are as follows:

▪ Low Rent Housing Program	\$ 15,252
▪ Housing Choice Voucher	(69,864)
▪ Blended Component Unit	<u>(15,552)</u>
Total	<u>\$ (70,164)</u>

***La Joya Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Continued)***

***Summary Statement of Revenues & Expenses and Changes in Net Position
Years Ended December 31, 2020 and 2019***

<u>Category</u>	12/31/2020	12/31/2019	Change \$	Change %
Program Revenues:				
Tenant Revenue	\$ 92,390	\$ 120,713	\$ (28,323)	-23%
Government Operating Grants	\$ 767,228	\$ 825,030	\$ (57,802)	-7%
Capital Grants	\$ -	\$ -	\$ -	N/A
Other Revenue	\$ -	\$ 3,025	\$ (3,025)	-100%
Interest Income	\$ 82	\$ 31	\$ 51	165%
Total Revenue	\$ 859,700	\$ 948,799	\$ (89,099)	-9%
Expenses:				
Administration	\$ 198,346	\$ 278,366	\$ (80,020)	-29%
Tenant Services	\$ 300	\$ -	\$ 300	N/A
Utilities	\$ 8,499	\$ 9,863	\$ (1,364)	-14%
Ordinary Maintenance	\$ 75,572	\$ 109,479	\$ (33,907)	-31%
Protective Services	\$ 17	\$ 688	\$ (671)	-98%
General/Insurance Expense	\$ 30,179	\$ 42,095	\$ (11,916)	-28%
Nonroutine Maintenance	\$ -	\$ 3,500	\$ (3,500)	-100%
Depreciation	\$ 140,181	\$ 151,462	\$ (11,281)	-7%
Housing Assistance Payments	\$ 491,031	\$ 507,018	\$ (15,987)	-3%
Total Expenses	\$ 944,125	\$ 1,102,471	\$ (158,346)	-14%
Change in Net Position	\$ (84,425)	\$ (153,672)	\$ 69,247	-45%
Net Position, Beginning of Year	\$ 1,116,729	\$ 1,372,604	\$ (255,875)	-19%
Prior Period Adjustment	\$ -	\$ (102,203)	\$ 102,203	-100%
Net Position, End of Year	\$ 1,032,304	\$ 1,116,729	\$ (84,425)	-8%

Results of Operations

Revenues of the Authority are generated principally from dwelling rents and HUD grants (including Operating and Capital Funds). The Authority's total revenue decreased by \$89,099 from the previous year. Significant variances include the following:

- Tenant revenue decreased by \$28,323. This decrease was due primarily to fewer units leased resulting in a lower average rent of \$178.46 in the current year as compared to the \$219.30 in the prior year.

***La Joya Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Continued)***

- HUD operating grants decreased by \$57,802. This decrease was due primarily to lower operating grants of \$44,056 in the Section 8 Voucher Program, \$11,643 in the Operating Fund, and a decrease in \$50,436 in Capital Fund operating grants. These decreases were offset by increases due to the CARES Act funding in the amount of \$27,577 in Public Housing and \$20,756 in the Section 8 Voucher Program.
- Other revenue decreased from \$3,025 in 2019 to \$0 in the current year.

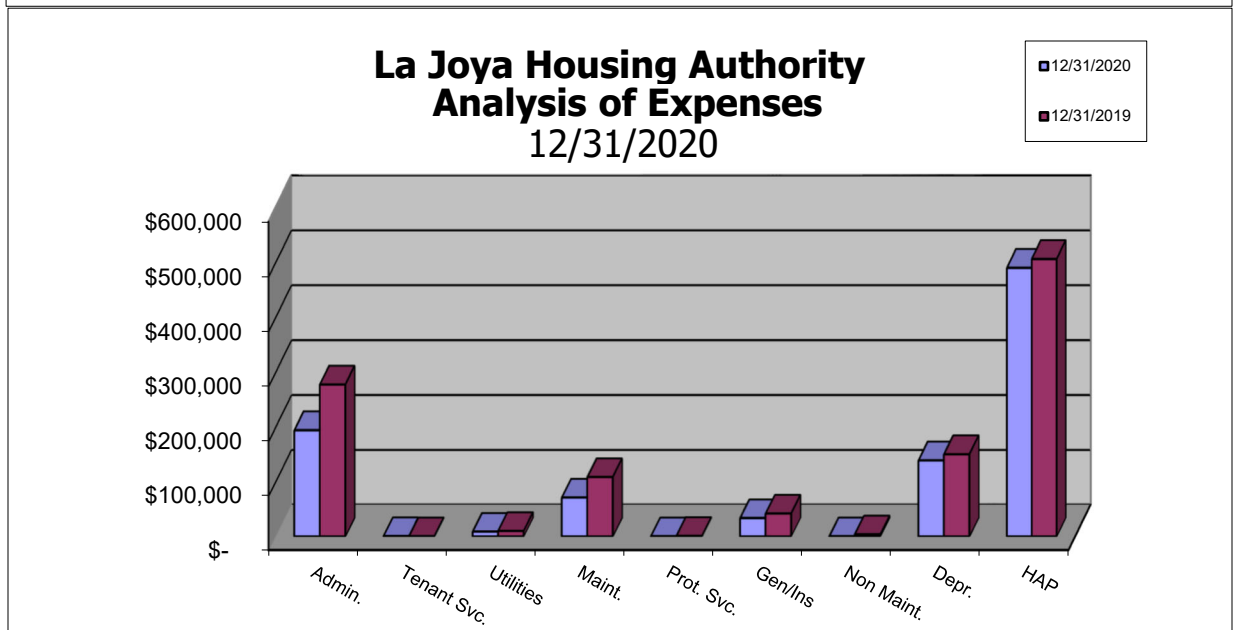
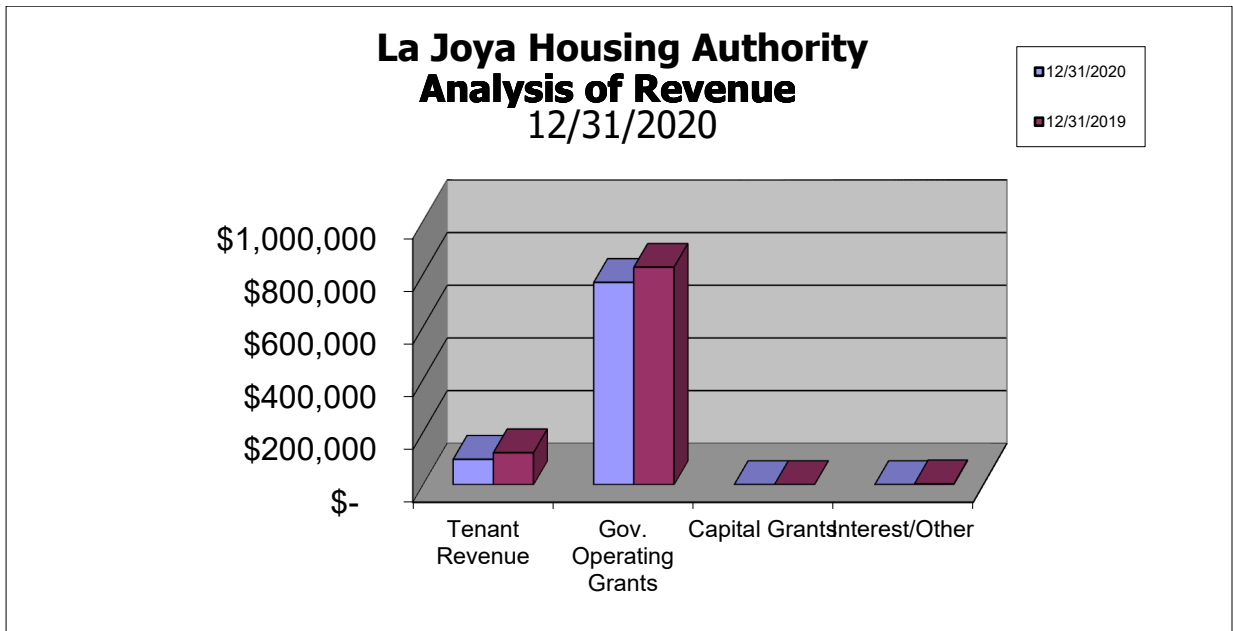
Total expenses decreased by \$158,346 from the previous year. Significant variances include the following:

- Administrative costs decreased by \$80,020 due primarily to a decrease in audit fees, legal expense, and administrative sundry. Audit expenses decreased by \$34,118, legal expenses by \$40,102, and administrative sundry by \$27,642 from the previous year. For the most part, the expense for audit services decreased (or were delayed) due to the global pandemic's restrictions on in-person, onsite business service transactions. Legal expenditures were significantly reduced due to a protocol modification that channeled all communications with the housing authority's attorney through the executive director. Hence, an executive director-to-legal counsel framework was established. Within the new model, cost saving was also seen by having the executive director handle basic functions like agenda drafting, resolution drafting, policy writing and public information requests. Previously, these duties were in some part performed by legal counsel. On the administrative side, reduction came by way of eliminating over time, implementing time clock/time management protocols, reassessment of office expenditures and a re-configuring of job duties while eliminating an administrative position.
- Ordinary maintenance costs decreased by \$33,907 primarily due to lower costs in maintenance labor of \$18,481, maintenance materials of \$15,773, and maintenance benefits costs of \$4,962. Bringing structure to LJHA maintenance protocols has provided several cost-saving benefits. Basic to intermediate in-housing repair projects are performed by the maintenance department leaving only more complex reparations for outside contractors. When purchasing goods or services it is LJHA standard procedure to gather cost estimates to ensure that each dollar is being maximized; Also useful in LJHA's maintenance expenditure model is the tracking of the receipts on purchases relating to repairs on the housing units.
- General expenses decreased by \$11,916 from the prior year due to lower other general expenses in the amount of \$5,114, compensated absences of \$1,266, payments in lieu of taxes of \$2,274, and tenant bad debt of \$2,705.

***La Joya Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Continued)***

- Housing Assistance Payments decreased by \$15,987 due to a decrease in units leased from 1,397 in 2019 to 1,306 in 2019.

We have provided the following presentations to demonstrate the revenues and expenses by summarized account category:



***La Joya Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Continued)***

Capital Assets

As of December 31, 2020, the La Joya Housing Authority's net investment in capital assets was \$1,092,142. This investment includes land, building, and equipment, less accumulated depreciation.

***Summary Statement of Capital Assets
Years Ended December 31, 2020 and 2019***

<u>Category</u>	12/31/2020	12/31/2019	Change \$	Change %
Land	\$ 247,179	\$ 247,179	\$ -	0%
Buildings	\$ 4,132,984	\$ 4,128,984	\$ 4,000	0%
Equipment	\$ 104,806	\$ 102,328	\$ 2,478	2%
Accumulated Depreciation	\$ (3,392,827)	\$ (3,252,646)	\$ (140,181)	4%
Total Net Fixed Assets	\$ 1,092,142	\$ 1,225,845	\$ (133,703)	-11%

Additions to buildings consisted of a HVAC project and the additions to equipment were for security cameras.

Long Term Debt Activity

The Authority classifies a portion of the employee's leave as long term debt. This is due to the Authority not anticipating to pay out the total amount in the following year. The amount listed as long term is \$17.

Subsequent Event

The Authority's Low Rent Housing Program faces a potential operating subsidy proration of 95.23% for the calendar year 2021.

The amount of funding for the 2021 calendar year for the Housing Choice Voucher Program has not been finalized by HUD. Proration funding for administrative fees is estimated to be 82% and HAP funding is 100%. These funding levels will result in similar revenues and services supported during the upcoming fiscal year as the current year.

Additional funding from the Cares Act legislation has been provided to the Low Rent Housing Program and the Housing Choice Voucher Program to aid in the preventing, preparing and responding to the COVID-19 virus. The Low Rent Housing funding, totaling \$27,577 has been fully expended. The Housing Choice Voucher received funding in the amount of \$31,629. The Authority has spent \$20,756.05 as of December 31, 2020. The remaining \$10,872.95 must be spent by December 31, 2021.

***La Joya Housing Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2020
(Continued)***

Request for Information

This financial report is designed to provide a general overview of the Authority's accountability for all those interested.

If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

La Joya Housing Authority
Ruben Villarreal, Executive Director
PO Box 1409
La Joya, TX 78560-1409

Housing Authority of the City of La Joya

Statement of Net Position

December 31, 2020

ASSETS

Current Assets

Cash and equivalents	
Unrestricted	\$ 157,576
Restricted	45,686
Subtotal	203,262
Accounts receivable, net	7,642
Total Current Assets	210,904

Non-Current Assets

Capital assets, net	1,092,142
Total Non-Current Assets	1,092,142
Total Assets	1,303,046

Deferred Outflows of Resources

-

LIABILITIES

Current Liabilities

Accounts payable	41,722
Accrued liabilities	186,402
Compensated absences - current	253
Unearned revenue	17,861
Tenant security deposits	24,487
Total Current Liabilities	270,725

Non-Current Liabilities

Compensated absences - non-current	17
Total Non-Current Liabilities	17

Total Liabilities

270,742

Deferred Inflows of Resources

-

Net Position

Investment in capital assets	1,092,142
Restricted	10,326
Unrestricted	(70,164)
Total Net Position	\$ 1,032,304

Housing Authority of the City of La Joya
Statement of Revenues, Expenses, & Changes in Net Position
For the Year Ended December 31, 2020

Operating Revenues	
Dwelling rent, net	\$ 92,390
Government grants	767,228
Other income	-
Total Operating Revenues	859,618
 Operating Expenses	
Administration	198,346
Tenant services	300
Utilities	8,499
Maintenance and operations	75,572
Protective services	17
Insurance	16,744
General	13,435
Housing Assistance Payments	491,031
Depreciation	140,181
Total Operating Expenses	944,125
 OPERATING INCOME (LOSS)	 (84,507)
 Non-Operating Revenues (Expenses)	
Interest income	82
Total Non-Operating Revenues (Expenses)	82
 Other Financing Sources (Uses)	
Capital contributions - HUD	-
Total Other Financing Sources (Uses)	-
 CHANGE IN NET POSITION	 (84,425)
 BEGINNING NET POSITION	 1,116,729
ENDING NET POSITION	\$ 1,032,304

Housing Authority of the City of La Joya

Statement of Cash Flows

For the Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from tenants	\$	266,861
Operating grants		686,409
Cash paid for goods and services		(139,627)
Cash paid for Housing Assistance Payments		(491,031)
Cash paid to employees for services		(138,403)
NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES		184,209

CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES

Acquisition of capital assets		(6,478)
NET CASH FLOW PROVIDED (USED) BY CAPITAL AND RELATED ACTIVITIES		(6,478)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments		82
NET CASH FLOW PROVIDED (USED) BY INVESTING ACTIVITIES		82

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 177,813

BEGINNING CASH AND CASH EQUIVALENTS	25,449
ENDING CASH AND CASH EQUIVALENTS	\$ 203,262

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING

Operating loss	\$	(84,507)
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Non-Cash Adjustment

Depreciation		140,181
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Change in Assets & Liabilities

Accounts receivable		76,376
Accounts payable		(14,445)
Accrued liabilities		40,767
Unearned revenue		98
Compensated absences		17,289
Tenant security deposits		8,450
Total Adjustments		268,716
Net Cash Provided (Used) by Operating Activities	\$	184,209

NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY:

1. Introduction

The financial statements Housing Authority of the City of La Joya (the "Authority") have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The Authority has previously implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments*. Certain significant changes in the statements are as follows: The financial statements will include a Management's Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.

Housing Authority of the City of La Joya is a special-purpose government engaged only in business-type activities and, therefore, presents only the financial statements required for enterprise funds, in accordance with GASB Statement 34, paragraph 138 and GASB 63. For these governments, basic financial statements and required supplemental information consist of:

- Management Discussion and Analysis (MD&A)
- Enterprise fund financial statements consisting of:
 - Statement of Net Position
 - Statement of Revenues, Expenses and Changes in Net Position
 - Statement of Cash Flows
- Notes to Financial Statements

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low-income housing programs in the United States. Accordingly, HUD has contracted with the Authority to administer certain HUD funds.

2. Reporting Entity

GASB established criteria for determining the governmental reporting entity. Under provisions of this statement, Housing Authority of the City of La Joya is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. Fiscally independent means that the Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, control collection and disbursements of funds, maintain responsibility for funding deficits and operating deficiencies, and issue bonded debt.

GASB Statement No. 61 establish criteria for determining which, if any, component units should be considered part of Housing Authority of the City of La Joya for financial reporting purposes. The basic criteria for including a potential component unit organization within the Authority's reporting entity includes whether:

- The organization is legally separate (can be sued in their own name)
- The Housing Authority holds the corporate powers of the organization
- The Housing Authority appoints a voting majority of the organization's board
- The Housing Authority is able to impose its will on the organization
- The organization has the potential to impose a financial burden/benefit on the Housing Authority
- There is a fiscal dependency by the organization on the Housing Authority

Based on the aforementioned criteria and relationship between Housing Authority of the City of La Joya and the City of La Joya, the Authority has determined not to be a component unit of the City of La Joya based on the following:

Housing Authority of the City of La Joya

Notes to Financial Statements
For the Year Ended December 31, 2020

Financial Accountability – The Authority is responsible for its debts, does not impose a financial burden on the City of La Joya and is entitled to all surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the Authority.

Appointment of a Voting Majority – The Authority is governed by a five-member Board appointed by the Mayor and has governance responsibilities over all activities related to all housing activities within the City of La Joya.

Imposition of Will – The City of La Joya has no influence over the management, budget, or policies of the Authority. The Authority’s Board has the responsibility to significantly influence the Authority’s operations.

Based on the aforementioned criteria, and the control and relationship between Housing Authority of the City of La Joya and the component units, the Authority has determined that the following entities are considered component units of Housing Authority of the City of La Joya and are required to be blended within the Authority’s financial statements:

La Joya Housing Authority Non-Profit Corporation – The Corporation is a Texas not for profit Corporation under Section 501 (c) 3 of the Internal Revenue Code and is exempt from federal and state income taxes. Corporation is on the same fiscal year end as the Housing Authority. Under the definitions of 24 CFR 811.102, the corporation qualifies as an “instrumentality public housing agency,” and therefore is considered to be a “quasi-governmental organization.” No separate financial statements have been issued for this Corporation.

The Authority’s primary operations comprise a number of housing and grant programs as follows:

- **Public Housing** (commonly referred to as Low-income housing or Low Rent) - The Public Housing Program provides and operates cost-effective, decent, safe and affordable housing to low-income households. The Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD who provides Operating Subsidy and Capital Grant funding to enable the Authority to provide the housing at a rent that is based upon 30% of household income. The Public Housing Program also includes the Capital Fund Program (CFP), which is the primary funding source for physical and management improvements to the Authority's properties.
- **Housing Choice Voucher Program** - The Housing Choice Voucher Program is designed to aid very low-income families in obtaining decent, safe, and sanitary rental housing. The Authority administers contracts with independent landlords that own property and rent that property to families that have applied for housing assistance through the Authority. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

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3. Basis of Presentation, Basis of Accounting and Measurement Focus

Basis of Accounting - The Authority uses the accrual basis of accounting in the proprietary funds. Under this method, revenues are recorded when earned, and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

Basis of Presentation - The financial statements of the Authority are presented from a fund perspective. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions. The fund is a separate accounting entity with a self-balancing set of accounts. The accounting and financial reporting method applied by a fund is determined by the fund's measurement focus. The accounting objectives are determination of net income, financial position and cash flows. All assets and liabilities associated with the Proprietary Fund's activities are included on the statement of net position. In the Statement of Net Position, equity is classified as net position and displayed in three components:

- a) Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any notes or other borrowings attributable to those capital assets.
- b) Restricted net position – Consists of assets with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
- c) Unrestricted net position – All other assets that do not meet the definition of “restricted” or “net investment in capital assets”.

Proprietary Fund. Enterprise fund - This type of fund is reported using an economic resources measurement focus. Additionally, it is used to account for operations that are financed and operated in a manner similar to private businesses where a fee is charged to external users for services provided. When both restricted and unrestricted net positions are available for use, generally it is the Authority's policy to use restricted resources first.

4. Budgetary Data

The Authority adopts budgets on the basis of accounting consistent with the basis of accounting for the fund to which the budget applies. The Authority prepares annual operating budgets that are formally adopted by its Governing Board of Commissioners. The budgets for programs funded by HUD form the basis of the Federal Financial Assistance received through HUD. These budgets are adopted using a HUD outline that is not consistent with generally accepted accounting principles and are used for HUD purposes only.

5. The Terms of the Board are as follow:

Filomena Leo – Chairperson	April 2022
Jorge Bazan – Vice Chair	May 2021
Yvette Flores	October 2021
Hilary Garcia	October 2021
Berta Mireles	October 2021

In addition to the above Commissioners, the Administrator of the Housing Authority is Ruben Villarreal, who serves on the Board as Secretary and is the Executive Director. Based upon the above criteria all the operations of the Authority are included in these financial statements and there are no operations or component units, which have been excluded in this report.

6. Revenues and Expenses

Revenues and expenses are recognized in essentially the same manner as used in commercial accounting. Revenues relating to the Authority are operating activities including rental related income, interest income and other sources of revenues are recognized in the accounting period in which they are earned. Other major sources of revenues include the operating subsidy from HUD and other HUD funding for capital and operating expenses.

In accordance with GASB standards dwelling income has been netted with bad debt expense of \$3,448. Collection losses on accounts receivable are expensed, in the appropriate Fund, on the specific write-off method.

7. Operating Revenue

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for rents. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net position below the non-operating revenue and expense.

8. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles as applied to governmental units require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The most significant estimates relate to depreciation and useful lives and allowance for bad debt.

9. Cash and Investments

The Authority defines cash to include certificates of deposit, money market funds, savings accounts, demand deposits, and other short-term securities with original maturities of three months or less; consequently, the cost, carrying value, and market value are equivalent.

During the fiscal year and at year-end, all cash was held in the form of interest-bearing accounts. The deposits and the above-described investments with an original maturity of 90 days or less are considered cash and cash equivalents for the Statement of Cash Flows.

10. Restricted Cash

Restricted cash consists of cash set aside by HUD for the Housing Choice Voucher Program, cash and investments that are held in trust, reserves and escrows, as well as other cash and investments that are restricted for specific purposes.

11. Accounts Receivable

Accounts receivable consists of all amounts earned at year end and not yet received. Allowances for uncollectible accounts are based upon historical trends and periodic aging of accounts receivable.

Accounts for which no possibility of collection is anticipated are charged to bad debts expense which is netted against dwelling rent revenues on the Statement of Revenues, Expenses, and Changes in Net Position.

12. Unearned Revenue

Unearned revenues, if any, consist of rental payments made by tenants in advance of their due date, and rental supplements to be paid to owners of private dwellings during the first month of the next fiscal year.

13. Capital Assets and Depreciation

Capital assets are stated at historical cost. Donated capital assets are stated at their fair value on the date donated. This includes site acquisition and improvement, structures and equipment. All infrastructure assets were capitalized at the conclusion of development then dedicated to the City of North Charleston for maintenance and repairs. Depreciation of exhaustible capital assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position. If the initial cost of a piece of equipment and/or other personal property is two thousand dollars (\$2,000) or more and the anticipated life or useful value of said equipment or property is more than one (1) year, the purchased property/equipment will be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

The estimated useful lives for each major class of depreciable capital assets are as follows:

Buildings & improvements	10-30 years
Site improvements	15-30 years
Furniture and equipment	5 years

14. Deposits Held in Trust

Deposits held in trust consist of amounts held in trust with Housing Authority of the City of La Joya for tenants to secure apartment leases.

15. Expenditures

Expenditures are recognized when the liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the years purchased.

16. Depreciation

Depreciation expense of \$140,181 has been recognized as of December 31, 2020.

17. Leasing Activities

The Authority is the lessor of dwelling units to eligible residents. The rents under the leases are determined generally by the residents' income as adjusted for eligible deductions regulated by HUD, although the residents may opt for a flat rent. Leases may be cancelled at any time or renewed annually. The Authority may cancel the leases only for a cause. Revenues associated with these leases are recorded in the accompanying financial statements and related schedules within dwelling rent revenue.

18. Compensated Absences

Compensated absences are absences for which employees will be paid, i.e., sick leave, vacation, and other approved leaves. The Authority accrues the liability for those absences that the employee has earned the rights to the benefits. Upon separation from the Authority, an employee shall be paid for all accumulated annual leave and a percentage of their sick leave based on tenure with the Authority, as of their final date of employment. Leave accrued, but not yet paid as of December 31, 2020, is shown as a liability between current and non-current.

19. Subsequent Events

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through May 9, 2022, (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statement.

20. Deferred Inflows/Outflows of Resources

In accordance with GASB Statements, in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. Also, in addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

21. Internal Activity

All transfers and other interfund activity balances have been eliminated from the financial statements in accordance with GASB.

NOTE B - CASH AND INVESTMENTS:

All the deposits of the Authority are either insured or collateralized by using the Dedicated Method whereby all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in these units' names. The Authority has no policy regarding custodial credit risk for deposits.

At December 31, 2020, the bank balances held in various financial institutions, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the dedicated method.

All deposits of the Authority are with financial institutions meeting State and Federal deposit requirements.

Types of investment, which are authorized to be made with the Authority's funds, are controlled by State of Texas statutes and by contract with HUD. Investments are limited to issues having maturities of three years or less, and may include the following:

- Backed by the full faith and credit of the United States Government, or
- Backed by guarantee of principal and/or interest by the United States Government, or
- Backed by a Government-sponsored agency, or
- Covered by the Federal Deposit Insurance Corporation, or
- Backed by full collateralization with approved securities.

Interest rate risk - As a means of limiting its exposure to market value losses arising from rising interest rates, the Authority's typically limits its investment portfolio to maturities of 12 months or less. The Authority has no specific policy regarding interest rate risk.

Credit risk - Custodial credit risk for deposits is the risk that, in the event of bank failure, a government's deposits may not be returned. State statute governs collateral requirements and forms of collateral under Texas State Statutes Section 2257-001. In summary, Texas law states all deposits in excess of Federal Depository Insurance shall be secured by collateral.

Authorized security for deposits enumerated under law includes direct obligations of or obligations guaranteed by the United States of America having a market value not less than the amount of such monies. The Authority does not have a custodial credit risk policy that is more restrictive than state statutes.

Custodial credit risk - For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority has no policy on custodial credit risk.

Concentration of credit risk - The Authority follows the Financial Management Handbook (Chapter 4) regarding the process of cash management.

Housing Authority of the City of La Joya

Notes to Financial Statements
For the Year Ended December 31, 2020

Cash and cash equivalents were comprised of the following as of December 31, 2020:

Unrestricted:

Checking & Money Market accounts	\$	157,576
Subtotal		157,576

Restricted:

Checking - HAP funds		10,326
Checking - Tenant security deposits		24,487
Checking - CARES funds		10,873
Subtotal		45,686

Total Cash	\$	203,262
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NOTE C - ACCOUNTS RECEIVABLE:

Accounts receivable at December 31, 2020, consisted of the following:

Tenant rent receivables, gross	\$	14,675
Allowance for doubtful accounts		(7,201)
Tenant rent receivables, net		7,474
HUD receivables		168
Accounts receivable, net	\$	7,642

NOTE D - CAPITAL ASSETS:

A summary of changes in capital assets were as follows:

	Balance at 12/31/19	Additions	Deletions	Transfers	Balance at 12/31/20
Capital assets not being depreciated:					
Land	\$ 247,179	\$ -	\$ -	\$ -	\$ 247,179
Construction in progress	-	-	-	-	-
Total Capital Assets not being Depreciated	247,179	-	-	-	247,179
Capital assets being depreciated:					
Buildings & improvements	4,128,984	4,000	-	-	4,132,984
Furniture & equipment	102,328	2,478	-	-	104,806
Total Assets being Depreciated	4,231,312	6,478	-	-	4,237,790
Accumulated depreciation	(3,252,646)	(140,181)	-	-	(3,392,827)
Net capital assets being depreciated	978,666				844,963
Capital assets, net	\$ 1,225,845				\$ 1,092,142

For the year ended December 31, 2020 the Authority reported depreciation expense of \$140,181.

Housing Authority of the City of La Joya

Notes to Financial Statements
For the Year Ended December 31, 2020

NOTE E - OTHER NON-CURRENT LIABILITIES:

The following is a summary of the activity for non-current liabilities for the year ended December 31, 2020:

	Balance at 12/31/19	Additions	Deletions	Balance at 12/31/20
Compensated absences	\$ 4	\$ 3,445	\$ (3,432)	\$ 17
Total	\$ 4	\$ 3,445	\$ (3,432)	\$ 17

NOTE F - NET POSITION:

The net positions have been calculated as shown below for the year ended December 31, 2020.

Capital assets	\$ 1,092,142
Related debt	-
Net Investments in Capital Assets	\$ 1,092,142
Restricted cash	\$ 45,686
Less unearned CARES funds	(10,873)
Less security deposits	(24,487)
Restricted Net Position	\$ 10,326

NOTE G - ECONOMIC DEPENDENCY:

The Authority receives approximately 89% of funds used for affordable housing activities from the U.S Department of Housing and Urban Development.

NOTE H - COMMITMENTS & CONTINGENCIES:

Risk Management: The Authority is exposed to various risk of losses related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. There were no claims in excess of commercial coverage during the previous three years. These losses include an estimate of claims that have been incurred but not reported. At December 31, 2020, there were no liabilities to be reported.

Legal: The Authority is party to no pending or threatened legal actions arising from the normal course of its operations.

Grants and Contracts: The Authority participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. The Section 8 Housing Choice Voucher Program (the "Program") under the implementation of the Consolidated Appropriations Act 2005, Funding Provisions for the Housing Choice Voucher Program, changed the funding methodology, and in addition the Authority, is no longer required to complete a settlement statement. As a result, in accordance with GASB Statement No. 33 and PIH Notice 2009-9, the cumulative amount of unspent housing assistance payment subsidy as of December 31, 2020 is being reflected in restricted net position in the basic financial statements.

Housing Authority of the City of La Joya

Notes to Financial Statements
For the Year Ended December 31, 2020

Government Examinations: The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years.

COVID 19: On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the orders. Management is carefully monitoring the situation and evaluating its options during this time. It is possible that this matter may negatively impact the Authority, however, the ultimate financial impact and duration cannot be estimated at this time, and no adjustments have been made to these financial statements as a result of this uncertainty.

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Housing Authority of the City of La Joya

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2020

	Federal CFDA Number	Expenditure
<i>Direct Assistance</i>		
U.S. Department of HUD		
Section 8 Housing Choice Vouchers		\$ 539,712
COVID-19 Section 8 Housing Choice Vouchers		20,756
Subtotal	14.871	560,468
Total Housing Voucher Cluster		560,468
Public and Indian Housing		179,183
COVID-19 Public and Indian Housing		27,577
Subtotal	14.850	206,760
 Total U.S. Department of HUD		767,228
 <i>Total Direct Assistance</i>		767,228
 TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 767,228

NOTE 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. Therefore, the amounts presented in this schedule are presented, or used in the preparation of the basic financial statements.

NOTE 2: SCOPE OF PRESENTATION

The accompanying schedule presents the expenditures incurred (and related awards received) by the Authority that are reimbursable under federal programs of federal agencies providing financial assistance and state awards. For the purposes of this schedule, only the portion of program expenditures reimbursable with such federal or state funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal or state reimbursement authorized or the portion of the program expenditures that were funded with local or other nonfederal funds are excluded from the accompanying schedule.

NOTE 3: INDIRECT COST RATE

The Authority has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Housing Authority of the City of La Joya

Statement and Certification of Actual Costs

For the Year Ended September 30, 2020

1. The Actual Costs of the Authority was as follows:

Grant	Funds Approved	Funds Disbursed	Funds Expended	Balance Unspent
<i>TX59P501-18</i>	\$ 101,435	\$ 100,876	\$ 100,876	\$ 559
<i>TX59P501-19</i>	101,069	20,000	20,000	81,069
<i>TX59P501-20</i>	104,329	-	-	104,329

2. The distribution of costs as shown on the Financial Statement of Costs accompanying the Actual Cost Certificate submitted to HUD for approval, is in agreement with the Authority's records.
3. For the above completed grants, all costs have been paid and all related liabilities have been discharged through payment.



Smith Marion & Co. · Certified Public Accountants

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Board of Commissioners
Housing Authority of the City of La Joya
La Joya, Texas

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

Independent Auditors' Report

We have audited, in accordance with the 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 the business-type activities as listed in the table of contents of Housing Authority of the City of La Joya as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authorities' basic financial statements, and have issued our report thereon dated May 9, 2022.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Housing Authority of the City of La Joya's internal control over financial reporting (internal control) as a basis for designing audit 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 Housing Authority of the City of La Joya's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the City of La Joya's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and question costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 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. We consider the deficiencies described in the accompanying schedule of findings and questions costs as items **Finding 2020-001 and 2020-005** to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and question costs as item **Finding 2020-004** to be significant deficiencies.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Housing Authority of the City of La Joya's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 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 question costs as item **Finding 2020-005**.

Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying management corrective action plan. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

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 entity's control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Smith Marino & Co". The signature is written in a cursive style.

May 9, 2022



Smith Marion & Co. · Certified Public Accountants

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Board of Commissioners
Housing Authority of the City of La Joya
La Joya, Texas

Report on Compliance for Each Major Federal Program; and Report on Internal Control over Compliance in Accordance with the *Uniform Guidance*

Independent Auditors' Report

We have audited Housing Authority of the City of La Joya's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the City of La Joya's major federal programs for the year ended December 31, 2020. Housing Authority of the City of La Joya's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Housing Authority of the City of La Joya'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 requirement 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 Housing Authority of the City of La Joya'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 opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Housing Authority of the City of La Joya's compliance.

Basis for Qualified Opinion on Section 8 Housing Choice Voucher Program

As described in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding **CFDA 14.871 Section 8 Housing Choice Voucher Program** as described in finding number **2020-006**, **2020-007**, and **2020-009** for Special Testing Compliance, finding number **2020-002** for Eligibility Compliance, and finding number **2020-003** for Reporting Compliance. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.



Qualified Opinion on Section 8 Housing Choice Voucher Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Section 8 Housing Choice Voucher Program for the year ended December 31, 2020.

Other Matters

The Authority's response to the noncompliance findings identified in our audit are described in the accompanying management corrective action plan. The 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 Housing Authority of the City of La Joya 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 Housing Authority of the City of La Joya's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 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 Housing Authority of the City of La Joya'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 combination of deficiencies, in internal controls 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 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 have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questions costs as items **Findings 2020-002, 2020-006, 2020-008 and 2020-009**, that we consider to be material weaknesses.

The Authority's response to the findings identified in our audit is described in the accompanying management corrective action plan. The 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.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

May 9, 2022

Housing Authority of the City of La Joya

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2020

Section I Summary of Auditors' Results

Financial Statements

Type of auditors' report issued

Internal controls over financial reporting:

 Material weakness(es) identified

 Significant deficiency(ies) identified

Noncompliance material to financial statements noted

Federal Awards

Internal control over major federal programs

 Material weakness(es) identified

 Significant deficiency(ies) identified

Type of auditors' report issued on compliance for major federal programs

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

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs:

Auditee qualified as a low-risk auditee

Section II

Financial Statement Findings

2020-001

Internal Control over Significant Account Balances - New Finding

Material Weakness

Criteria	Audit adjustments, which may be necessary to fairly state financial statements, should be limited in number. Financial information provided to the auditor should be in a state that is ready to be reported in the financial statements without material adjustment.
Condition	The auditor posted material journal entries to the financial information provided for audit and unaudited FDS submission in order to fairly present the financial statements of the Housing Authority.
Context	Total assets and total expenses were materially misstated on the unaudited Trial Balance.
Cause	The Housing Authority did not post required specific end of the year journal entries prior to audit fieldwork.
Effect	Total assets decreased by \$155 thousand and total expenses increased by \$155 thousand.
Recommendations	Accounting department has to be fully staffed and controls have to be implemented within key areas that were adjusted to ensure proper reporting of financial data on a timely basis.
Management Views	Management Agrees

2020-004

Employee File and Timecard Maintenance - RF (2019-004)

Significant Deficiency

Criteria

In accordance with 29 CFR Part 516, Subpart A – General Requirements. §516.2 Employees subject to minimum wage or minimum wage and overtime provisions pursuant to section 6 or sections 6 and 7(a) of the Act.

(a) Items required. Every employer shall maintain and preserve payroll or other records containing the following information and data with respect to each employee to whom section 6 or both sections 6 and 7(a) of the Act apply:

- (5) Time of day and day of week on which the employee's workweek begins (or for employees employed under section 7(k) of the Act, the starting time and length of each employee's work period). If the employee is part of a workforce or employed in or by an establishment all of whose workers have a workweek beginning at the same time on the same day, a single notation of the time of the day and beginning day of the workweek for the whole workforce or establishment will suffice,"
- (7) Hours worked each workday and total hours worked each workweek (for purposes of this section, a "workday" is any fixed period of 24 consecutive hours and a "workweek" is any fixed and regularly recurring period of 7 consecutive workdays.

All U.S. employers must properly complete Form I-9 for each individual they hire for employment in the United States on or after November 7, 1986 mandated by the Immigration Reform and Control Act of 1986. This includes citizens and noncitizens. Both employees and employers (or authorized representatives of the employer) must complete the form.

Condition

The above conditions were not met during the 2020 audit.

Context

During our audit procedures, we noted 2 out of 6 instances where the hourly employees did not attest to their hours worked. Additionally 3 out of 4 employee files tested did not have approved pay rates and 4 out of 4 employee files did not have completed I-9 documents.

Cause

The Authority staff was unaware of the requirement and lack of controls surrounding employee file updates and payroll.

Effect

The Authority was not in compliance with federal labor regulations regarding record maintenance. Additionally, the Authority has the potential for risks associated with the following:

- Hours or pay period may be inaccurately entered. Payment for time not worked will result overstatement of expenditures incurred or an unrecorded liability for time worked but not paid, and
- Employee may not properly report leave taken. Typically, annual leave balances are paid to employee upon separation. If an employee does not report leave taken, the government may pay for time not worked and leave not owed,
- Employee may not be paid properly or be qualified to work within the United States.

Recommendations

We recommend that the Authority require employees and their supervisor sign the completed time sheet certifying that the time recorded was actually worked. Additionally, the supervisor should document the correct pay authorization within the employee folder, and have the I-9 documentation completed by all employees.

Management Views Management Agrees

2020-005 Public Housing Waiting List Tenant Selection – RF (2019-005)

Material Weakness

Material Noncompliance

Criteria	Administration of waiting list 24 CFR 982.204 states “except for special admissions, participants must be selected from the PHA waiting list. The PHA must select participants from the waiting list in accordance with admission policies in the PHA administrative plan.”
Condition	During the course of the 2018 audit, we were informed of fraudulent activity that involved several Public Housing Tenants who were selected from the wait list out of order as “political favors” and the employees were instructed by the previous Executive Director to selected tenants that did not comply with the criteria listed above.
Context	During our audit procedures, the Authority could not provide documentation showing how tenants were selected from the Public Housing Wait list.
Cause	The condition was caused by an ineffective control environment where the staff of the authority were not trained properly.
Effect	The above condition resulted in the Authority being out of compliance with federal regulations.
Recommendations	We recommend that the Authority require employees to document and keep the records of how each new tenant is selected from the Public Housing Waitlist.
Management Views	Management Agrees

Section III Federal Awards Findings

US Department of Housing and Urban Development **Direct Award**

Program Name **Section 8 Housing Choice Vouchers**

CFDA Number **14.871**

2020-002 **Voucher Re-Examination - RF (2019-002)** **Material Weakness**

Eligibility (E) **Material Non-Compliance**

Criteria PHAs are required to reexamine family income and composition at least once every 12 months and adjust the tenant rent and Housing Assistance Payments as necessary using the documentation from third-party verification (24 CFR section 982.516).

Condition The above requirements were not met for the 2020 audit.

Context During the audit we selected 20 tenants to test, we noted 10 out of the 20 tenants had HUD Forms 50058 with over 1 year between previous re-examinations.

Cause Personnel responsible for performing re-examinations were not informed of requirements and no internal controls were in place to ensure compliance.

Effect The Authority was in violation of the Federal Regulation which resulted in errors in calculating Housing Assistance Payments (HAP) and utility reimbursement payments.

Recommendations We recommend that Management implement procedures to ensure compliance with the above regulations as it relates to the Section 8 Housing Choice Voucher Program.

Management Views Management Agrees

Housing Authority of the City of La Joya

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2020

US Department of Housing and Urban Development

Direct Award

Program Name **Section 8 Housing Choice Vouchers**

CFDA Number **14.871**

2020-003 **Report Submission - RF (2019-003)**

Reporting (L)

**Material Non-
Compliance**

Criteria In accordance with 24 CFR section 985.3(h) – Report Submission, PHAs with jurisdiction in metropolitan Fair Market Rent areas have the option of submitting data to HUD with their annual SEMAP certifications on the percent of their tenant-based Section 8 families with children who live in, and who have moved during the PHA fiscal year to, low poverty census tracts in the PHA’s principal operating area. Submission of this information with the SEMAP certification makes the PHA eligible for bonus points under SEMAP. In accordance with 24 CFR section 5.801 – Uniform Reporting Standards, PHAs are required to submit timely GAAP-based unaudited and audited financial information electronically to HUD.

Condition The above requirements were not met for the 2020 audit.

Context During the audit, we noted the 2020 SEMAP was not completed or filed with HUD as required. Additionally, the unaudited FDS, audited FDS, and SF-SAC was filed after the due date has passed.

Cause PHA was unaware the SEMAP was required to be filed annually. PHA was unable to complete the 2020 unaudited FDS, audited FDS and SF-SAC timely.

Effect The Authority was in violation of the Federal Regulations relating to report submissions.

Recommendations We recommend that Management implement procedures to ensure compliance with the above regulations as it relates to all federal awards.

Management Views Management Agrees

Housing Authority of the City of La Jolla

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2020

US Department of Housing and Urban Development

Direct Award

Program Name **Section 8 Housing Choice Vouchers**

CFDA Number **14.871**

2020-007 **Housing Quality Standards Inspection/HQS Enforcement - RF (2019-007)**

Special Test &
Provisions (N)

**Material Non-
Compliance**

Criteria

The PHA must inspect the unit leased to a family at least bi-annually to determine if the unit meets Housing Quality Standards (HQS) and the PHA must conduct quality control re-inspections. The PHA must prepare a unit inspection report (24 CFR §§982.405, 983.103)).

Additionally, for units under HAP contract that fail to meet HQS, the PHA must require the owner to correct any life-threatening HQS deficiencies within 24 hours after the inspections and all other HQS deficiencies within 30 calendar days or within a specified PHA-approved extension. If the owner does not correct the cited HQS deficiencies within the specified correction period, the PHA must stop (abate) HAPs beginning no later than the first of the month following the specified correction period or must terminate the HAP contract. The owner is not responsible for a breach of HQS as a result of the family's failure to pay for utilities for which the family is responsible under the lease or for tenant damage. For family-caused defects, if the family does not correct the cited HQS deficiencies within the specified correction period, the PHA must take prompt and vigorous action to enforce the family obligations (24 CFR sections 982.158(d) and 982.404).

Condition

The above requirements were not met for the 2020 audit.

Context

During our audit, the Authority was unable to provide us with a reliable listing of HQS Inspections or any supporting documentation that any HQS inspections had taken place during the fiscal year under examination. Therefore, we were not able to perform the necessary procedures as described in the Uniform Guidance Part IV HUD 14.871 to ensure compliance with the above criteria.

Cause

Controls over compliance associated with the Authority's grants of federal funds are inadequate.

Effect

The Authority is non-compliant with the federal regulations over this federal program, this could potentially result in significant operating and financial penalties.

Recommendations

We suggest the Authority structure a system capable of properly overseeing compliance with regulations relative to these grants as well as maintaining more accurate and complete documentation of adherence to compliance.

Management Views Management Agrees

US Department of Housing and Urban Development

Direct Award

Program Name **Section 8 Housing Choice Vouchers**

CFDA Number **14.871**

2020-008 Allowable Cost/Cost Principles - RF (2019-008)

Allowable Cost
(B)

Material Weakness

Criteria

Uniform Guidance (2 CFR part 225/87) outlines the basic guidelines regarding the factors affecting the allowability and reasonableness of costs as follows:

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- Be allocable to Federal awards under the provisions of this Circular.
- Be authorized or not prohibited under State or local laws or regulations.
- Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles.
- Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
- Be the net of all applicable credits.

2. Reasonable costs. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally funded. In determining reasonableness of a given cost, consideration shall be given to:

- Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award.
- The restraints or requirements imposed by such factors as: sound business practices; arms length bargaining; Federal, State and other laws and regulations; and, terms and conditions of the Federal award.
- Market prices for comparable goods or services.
- Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large, and the Federal Government.
- Significant deviations from the established practices of the governmental unit which may unjustifiably increase the Federal award's cost.

Housing Authority of the City of La Joya

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2020

Condition	The above requirements were not met for the 2020 audit.
Context	During our audit procedures, we selected a sample of 40 disbursements. Of the 40 disbursements selected, the authority could not provide invoices for 11 of the selected samples. Additionally, the authority paid late fees out of Federal Funds which is an unallowable cost.
Cause	The Authority did not have proper internal control in place to ensure only allowable and documented expense were paid with federal funds. Also, there are no controls in place to monitor spending related to administrative costs, resulting in the administrative expenses exceeding the administrative revenue during the current fiscal year.
Effect	Without proper documentation, certain costs paid for by the Authority with federal funds violate federal regulations and consequently could be disallowed by HUD which would require repayment from non-federal sources.
Recommendations	We recommend that the Authority implement a system of controls to only pay expenses that are both allowable and properly documented in accordance with Uniformed Guidance and Governmental Auditing Standards.
Management Views	Management Agrees

Housing Authority of the City of La Joya

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2020

US Department of Housing and Urban Development

Direct Award

Program Name Section 8 Housing Choice Vouchers

CFDA Number 14.871

2020-006 Utilities Allowance Calculation - RF (2019-010)

Special Test&
Provisions(N)

Material Weakness
Material Non-
Compliance

Criteria In accordance with the 2014 Appropriations Act Section 242, the utility allowance for a family shall be the lower of: (1) The utility allowance amount for the family unit size; or (2) the utility allowance amount for the unit size of the unit rented by the family. However, upon the request of a family that includes a person with disabilities, the PHA must approve a utility allowance higher than the applicable amount if such a higher utility allowance is needed as a reasonable accommodation in accordance with HUD's regulations in 24 CFR part 8 to make the program accessible to and usable by the family member with a disability. This provision applies only to vouchers issued after the effective date of this notice (June 12, 2014) and to current program participants. For current program participants, a PHA must implement the new allowance at the family's next annual reexamination, provided that the PHA is able to provide a family with at least 60 days' notice prior to the reexamination.

Condition The above requirements were not met for the 2020 audit.

Context During the audit we selected 20 tenants to test, we noted 13 out of the 20 tenants had HUD Forms 50058 with utility allowances calculated not in accordance with the above criteria.

Cause Personnel responsible for calculating the utility allowances were not informed of requirements and no internal controls were in place to ensure compliance.

Effect The Authority was in violation of the Federal Regulation which resulted in errors in calculating Housing Assistance Payments (HAP) and utility reimbursement payments.

Recommendations We recommend that Management implement procedures to ensure compliance with the above regulations as it relates to the Section 8 Housing Choice Voucher Program.

Management Views Management Agrees

Housing Authority of the City of La Joya

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2020

US Department of Housing and Urban Development

Direct Award

Program Name Section 8 Housing Choice Vouchers

CFDA Number 14.871

2020-009 Rent Reasonableness & Depository Agreement - RF (2019-009)

Special Test &
Provisions (N)

Material Weakness
Material Non-
Compliance

Criteria The PHA must determine that the rent to owner is reasonable at the time of initial leasing. Also, the PHA must determine reasonable rent during the term of the contract: (a) before any increase in the rent to owner, and (b) at the HAP contract anniversary if there is a five percent decrease in the published Fair Market Rent in effect 60 days before the HAP contract anniversary. The PHA must maintain records to document the basis for the determination that rent to owner is a reasonable rent (initially and during the term of the HAP contract) (24 CFR sections 982.4, 982.54(d)(15), 982.158(f)(7), and 982.507). PHAs are required to enter into depository agreements with their financial institutions in the form required by HUD. The agreements serve as safeguards for Federal funds and provide third-party rights to HUD. Among the terms in many agreements are requirements for funds to be placed in an interest-bearing account (24 CFR section 982.156).

Condition The above requirements were not met for the 2019 audit.

Context During the audit we selected 20 tenants to test, we noted 10 out of the 20 tenants had HUD Forms 50058 completed with no payment standard in place. Additionally, the Authority could not provide the depository agreements with their financial institutions.

Cause The Authority did not have an approved payment standard in place from January 2019-May 2019. The authority does not have a signed depository agreement with their financial institution.

Effect The Authority was in violation of the Federal Regulation which resulted in errors in calculating Housing Assistance Payments (HAP) and utility reimbursement payments.

Recommendations We recommend that Management implement procedures to ensure compliance with the above regulations as it relates to the Section 8 Housing Choice Voucher Program.

Management Views Management Agrees

Housing Authority of the City of La Joya

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2020

US Department of Housing and Urban Development

Direct Award

Program Name **Section 8 Housing Choice Vouchers**

CFDA Number **14.871**

2020-010 **HCV Waiting List Tenant Selection - RF (2019-011)**

Special Test &
Provisions (N)

**Material Weakness
Material Non-
Compliance**

Criteria Except as provided in 24 CFR section 982.203 (Special admission (non-waiting list)), all families admitted to the program must be selected from the waiting list. "Selection" from the waiting list generally occurs when the PHA notifies a family whose name reaches the top of the waiting list to come in to verify eligibility for admission (24 CFR sections 5.410, 982.54(d), and 982.201 through 982.207).

Condition The above requirements were not met for the 2020 audit.

Context During the audit we selected 7 tenants to test, we noted 7 out of the 7 tenants did not have documentation showing how the tenants were selected from the waiting list.

Cause Personnel responsible for selecting new tenants from the waiting list did not keep support.

Effect The above condition resulted in the Authority being out of compliance with Federal Regulations.

Recommendations We recommend that Management implement procedures to ensure compliance with the above regulations as it relates to the Section 8 Housing Choice Voucher Program.

Management Views Management Agrees

Housing Authority of the City of La JoyaSummary Schedule of Prior Year Findings
For the Year Ended December 31, 2020**Financial Statement Findings**

Prior Year Findings Number	Findings Title	Status/Current Year Finding Number
2019-001	Segregation of Duties	Resolved
2019-004	Timecard Maintenance	See 2020-004
2019-005	Public Housing Waiting List Tenant Selection	See 2020-005
2019-006	Board Minutes	Resolved

Federal Award Findings and Question Costs

Prior Year Findings Number	Findings Title	Status/Current Year Finding Number
2019-003	Reporting	See 2020-003
2019-007	Housing Quality Standards Inspection/HQS Enforcement	See 2020-007
2019-008	Allowable Cost/Cost Principles	See 2020-008
2019-010	Utilities Allowance Calculation	See 2020-006
2019-002	Voucher Re-examination	See 2020-002
2019-009	Rent Reasonableness and Depository Agreement	See 2020-009
2019-011	HCV Waiting List Tenant Selection	See 2020-010

LA JOYA HOUSING AUTHORITY
CORRECTIVE ACTION PLAN 2020 (AUDITORS)
Management's Corrective Action Plan

Finding 2020-001- Internal Control Over Significant Account Balances:

Corrective Action: The La Joya Housing Authority is in the process of completing audits for year 2019 and year 2020. Moving forward and right along with our audit completion we are going to work with our fee accountant to make sure all material journal entries are posted prior to the audit.

>>Anticipated Completion: June 2022

(Executive Director – R. Villarreal)

Finding 2020-002- Voucher Re-examination:

Corrective Action: La Joya Housing Authority is aware that Voucher Re-examinations need to be prioritize and need to be brought up to date. Our efforts to remedy this circumstance has faced the challenges of the global pandemic coupled with the lack of an online presence to give our tenants a safe method to conduct the Re-examination process. As we stand today, LJHA has developed a hybrid system to handle the re-examination process. Through our website/www.lajoyahousing.org which became active in April 2021 we are now able to conduct re-examinations with minimal face to face contact. Currently we are processing re-exams at a rate of 10 per month. This puts us at a 70% rate of completion. The re-examination process in LJHA is ongoing.

>> Anticipated Completion: Ongoing Process

(Section 8 Director)

Finding 2020-003- Report Submission- RF (2019-003):

Corrective Action: The Housing Authority is aware that the 2019 Audit was not timely submitted nor the FDS for 2019. There were a few situations that complicated this submittal. First, the housing authority's executive director position was in transition and was not filled until the end of the year. Second, the housing authority's operation was under a probe by the Office of Inspector General. This likely contributed to the delay. Third, it seems that during 2019 the housing authority was absent the services of a fee accountant. Hence, a timely submittal of the FDS was unlikely. None the less the housing authority is currently in the process of completing the 2019 and 2020 audit. Our fee accountant Urlaub & Associates stands ready to make the necessary submittals in conjunction with the completion of the audits. The executive director and our finance coordinator will monitor the progress to ensure timely completion of the audits and submission of the FDS to HUD.

>> Anticipated Completion: May 2020 *(Executive Director – R. Villarreal)*

Finding 2020-004- Employee File and Timecard Maintenance- RF (2019-004):

Corrective Action: The need for proper tracking of time worked by staff as well as attendance was identified as an organizational deficiency in 2018. After some research, a Time-Clock management system was identified and acquired. Moving into calendar year 2020 a time management system was implemented into the operational workings of the La Joya Housing Authority. In addition, at the LJHA Board Meeting of March 26, 2021, the board approved a policy that will govern the time clock's application in our organization. Also, we have taken note of the need to have current I-9 Forms for our employees. Thus, the LJHA will now keep an I-9 for each employee. Attached please find our time clock policy (Item 2B). Copies of I-9's will be provided upon completion of this task.

>> Anticipated Completion: April 2022
(Finance Coordinator – A. Valdez)

Finding 2020-005- Public Housing Waiting List Tenant Selection- RF (2019-005):

Corrective Action: In May 2021 the LJHA adopted the Section 8/Housing Choice Voucher Administrative Plan. As it pertains to Finding 2019-005/RF-2018-005 we can refer to the Sec. 8/HCV Administrative Plan Section VII Applications and Wait List Management. This section and subsections deal with wait list management and applications. Attached please find Section VII and subsections A, B, C, D and E. (Item 3C)

>> Anticipated Completion: March 2022
(Public Housing Director – L. Cardenas)

Finding 2020-006- Utilities Allowance Calculation-RF (2019-010):

Corrective Action: In May 2021 LJHA acquired the services of RKB2 Consultants/ Robert K. Bein CEM CEA. Through his examination of pertinent information Mr. Bein produced a Utility Allowance Schedule for our Public Housing and HCV Program. It is this document which provides our housing authority with directions to properly calculate utility allowances for our tenants. It is our intention to update the utility allowance schedule yearly. (Item 5F)

>>Anticipated Completion-July 2022

(Executive Director - R. Villarreal & Section 8 Director – A. Valdez)

Finding 2020-007- Housing Quality Standards Inspections/HQS Enforcement- RF (2018-007):

Corrective Action: Over the last two years the LJHA has implemented several Standard Operating Procedures (SOP) to meet HUD requirements as well as provide our tenants with better services. Moving into calendar year 2022 and with some of the pandemic behind us the housing authority will be making bi-annual HQS Inspections a part of their SOP framework. Let it be noted that HQS Inspections will be scheduled in May and November of each year. For the most part, LJHA is re-establishing an operational framework and bi-annual HQS inspections for our housing units will be an important part of that framework.

>> Anticipated Completion: December 2022
(Maintenance Supervisor – R. Cantu)

Finding 2020-008- Allowable Cost/Principles- RF (2018-008):

Corrective Action: Another newly implemented Standard Operation Procedure (SOP) is the housing authority's process to keep invoices and vouchers together for improved efficiency. This new measure will ensure that all documentation can be easily retrieved for review. In addition, these files will be kept and divided monthly for increased clarity. As an important note, the LJHA is prioritizing the re-payment of in arrears IRS taxes owed. We are estimating that our past due tax obligations will be paid in full in the coming months.

>> Anticipated Completion: September 2022
(Finance Coordinator – A. Valdez)

Finding 2020-009- Rent Reasonableness & Depository Agreement:

Corrective Action: The LJHA Rent Reasonableness Study/Initiative began in September 2021. This thorough in-house study focused on rent amounts paid for one-, two-, three- and four-bedroom housing units. This information was compiled from comparable units in western Hidalgo County in or around La Joya, Tx. The data from this board approved (in Dec. 2021) study is now used to configure rent amounts for our housing formula. As noted, the Rent Reasonableness Study and its use in our housing authority operations is rather recent. While some apartment-size to rent amount ratios are solidly set others need more modification. We expect adjustments within our Rent Reasonableness calculations to continue for at least more six months. Moving forward on this initiative we will work with HUD for proper guidance on the established rent amounts for our program. Attached please find a copy of the LJHA Rent Reasonableness Study (Item-4D).

The General Depository Agreement (GDA) has been delivered to our bank (Rio Bank) and is pending review and signatures.

>>Anticipated Completion: September 2022
(Executive Director - R. Villarreal & Section 8 Director - A. Valdez)

Finding 2020-011- HCV Waiting List Tenant Selection- RF (2019-11)

Corrective Action: From the compiled bedroom-size wait list offers are made to potential tenants. Wait list order is configured by the Tenmast Software tenant management system. Also, qualifying housing tenants must have submitted all necessary verification documentation. Therefore, number one (1) on the wait list will be notified by mail of the housing offer. For purposes of clarity and transparency we will attach this procedural information to the wait list and tenant files. (Item 6H)

>>Anticipated Completion-March 2022
(Public Housing Director – L. Cardenas)