HOUSING AUTHORITY OF THE CITY MILWAUKEE

Reperformance Observations and Recommendations Report

Reperformance Period: January 1, 2017 to December 31, 2022

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HOUSING AUTHORITY OF THE CITY MILWAUKEE
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Management and Governance
Housing Authority of the City of Milwaukee

On April 11, 2023, QAD-FMR-MOR-2023-WI002 was issued to the Housing Authority of the City of Milwaukee (the Authority) which included Corrective Action No. FMR 2023-1b. In response to the corrective action required, the Authority contracted with us for the reperformance of the accounting transactions in the Section 8 Housing Choice Voucher Program, which required evaluating all transactions posted to revenue and expense accounts, for the period January 1, 2017 through December 31, 2022 (reperformance).

The reperformance was performed in accordance with statement on standards for consulting services established by the American Institute of Certified Public Accountants. Any conclusions reached are our professional judgement based on the relevant data obtained in performing the procedures. Had additional or different information been provided our conclusions may be different. The consulting procedures under this engagement do not constitute a review or examination under the AICPA's U.S. attestation standards, nor an audit made in accordance with U.S. generally accepted auditing standards, the objective of which would be the expression of an opinion or conclusion on the subject matter in accordance with the criteria. Accordingly, we do not express such an opinion, conclusion, or provide any other form of assurance and we will not otherwise verify or audit any information provided to us. Had we been engaged to perform a review or examination under the AICPA's U.S. attestation standards, or an audit made in accordance with U.S. generally accepted auditing standards, other issues may have come to our attention that would have been reported to you. Therefore, we express no opinion on the effectiveness of the Authority's controls over all or any part of its financial statements.

The Authority's management agrees to assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience to understand and oversee the services; evaluate the adequacy and results of the services; and accept responsibility for the results of the services. You are also responsible for establishing and maintaining internal controls, including the monitoring of ongoing activities. The procedures performed by CLA are not a substitution for management's responsibility to maintain a system of controls to mitigate risk.

This report is intended solely for the use of the Authority, governance and its management and is not intended to be and should not be used by anyone other than these specified parties. Any unauthorized use of this report is strictly prohibited. CLA assumes no liability for its use by any party not authorized to do so.

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Our report of observations and recommendations is structured to provide management and governance with an understanding of the issues and opportunities identified with respect to fiscal management. The structure of the report is as follows:

- **Disallowed Costs Observed** – This section includes the observed potential disallowed costs by year with the description for the transaction and the amount. The amounts included in the following section have either been observed to be misclassified as unrestricted net position or restricted net position or observed to be disallowed to the Section 8 Housing Choice Voucher Program as a whole. The observed impact to the calculated unrestricted net position and restricted net position will be included in the Section titled "Recalculation of Unrestricted Net Position and Restricted Net Position" by year and cumulatively.

- **Recalculation of Unrestricted Net Position and Restricted Net Position** - This section includes the observed impacts on the recalculation of the unrestricted net position and restricted net position based on the identified "Potential Disallowed Costs Observed." The observed impact of the disallowed costs on the unrestricted net position and restricted net position are summarized by year throughout the reperformance period.

- **Observation and Recommendations** - The reperformance procedures for the period January 1, 2017 through December 31, 2022 resulted in observations and recommendations to be communicated to management and governance of the Housing Authority of the City of Milwaukee.

Upon the completion of our work, we observed **$2,911,712.07** in potential disallowed costs for the period of the reperformance January 1, 2017 through December 31, 2022. In addition, this report includes nine (9) observations as follows:

1. Improper Advancement of Section 8 Program Funds to Other Funds
2. Inconsistent Documentation of Review and Approval of Transactions
3. Improper Maintenance of the Cost Allocation Plan
4. Inconsistent Maintenance of Readily Available Supporting Documentation for Financial Transactions
5. Unsupported Financial Transactions
6. Improper Calculation of Unrestricted and Restricted Net Position
7. Failure of Internal Controls Over Manual Journal Entries
8. Delays in the Posting of Transactions After Month End Close
9. Inconsistent Maintenance of Payroll Reconciliations and Related Supporting Documentation

POTENTIAL DISALLOWED COSTS OBSERVED

The following section includes the observed potential disallowed costs by year with the description for the transaction and the amount. The amounts included in the following section have either been observed to be misclassified as unrestricted net position or restricted net position or observed to be potentially disallowed to the Section 8 Housing Choice Voucher Program as a whole. The observed impact to the calculated unrestricted net position (UNP) and restricted net position (RNP) is included in the Section titled “Recalculation of Unrestricted Net Position and Restricted Net Position” by year.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
POTENTIAL DISALLOWED COSTS OBSERVED
REPERFORMANCE PERIOD JANUARY 1, 2017 THROUGH DECEMBER 31, 2022

2017 POTENTIAL DISALLOWED COSTS OBSERVED			
DESCRIPTION	**AMOUNT**	**UNP**	**RNP**
We observed one transaction had incorrect supporting documentation attached for mileage reimbursement. The supporting documentation could not be recreated, which resulted in an observed potential disallowed cost.	$ 377.33	$ 377.33	$ -
We observed one transaction did not have sufficient supporting documentation to document the charge to the Housing Choice Voucher Program HVAC expense. This resulted in an observed potential disallowed cost.	350.00	350.00	-
We observed outstanding HAP checks were voided and recognized in miscellaneous revenue was observed to be improperly included in the UNP calculation. This resulted in an equity reclassification.	-	(31,251.00)	31,251.00
Total 2017 Potential Disallowed Costs Observed	**$ 727.33**	**$(30,523.67)**	**$31,251.00**

2018 POTENTIAL DISALLOWED COSTS OBSERVED			
DESCRIPTION	**AMOUNT**	**UNP**	**RNP**
We observed admin revenue was incorrectly coded to HAP account. This resulted in an equity reclassification.	$ -	$ 600.00	$(600.00)
We observed inter-program borrowing of funds to COCC from the Section 8 Housing Choice Voucher Program. This resulted in an observed potential disallowed cost. This resulted in an observed potential disallowed cost. The transfer violates 24 CFR Sections 982.151 and 982.152.	2,000,000.00	-	-
Total 2018 Potential Disallowed Costs Observed	**$2,000,000.00**	**$ 600.00**	**$(600.00)**

2019 POTENTIAL DISALLOWED COSTS OBSERVED			
DESCRIPTION	**AMOUNT**	**UNP**	**RNP**
We observed admin revenue was incorrectly coded to HAP account. This resulted in an equity reclassification.	$ -	$38,730.00	$(38,730.00)
We observed an unsupported equity reclass on the audited FDS. This resulted in an equity reclassification.	-	(122,582.39)	122,582.39
We observed an inter-program borrowing of funds to COCC from the Section 8 Housing Choice Voucher Program. This resulted in an observed potential disallowed cost. The transfer violates 24 CFR Sections 982.151 and 982.152.	1,000,000.00	-	-
Total 2019 Potential Disallowed Costs Observed	**$1,000,000.00**	**$(83,852.39)**	**$83,852.39**

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
POTENTIAL DISALLOWED COSTS OBSERVED
REPERFORMANCE PERIOD JANUARY 1, 2017 THROUGH DECEMBER 31, 2022

2020 POTENTIAL DISALLOWED COSTS OBSERVED			
DESCRIPTION	**AMOUNT**	**UNP**	**RNP**
We observed admin revenue was incorrectly coded to HAP account. This resulted in an equity reclassification.	$ -	$1,000.00	$(1,000.00)
The client could not locate an invoice to support casualty loss payment made to HARRG, INC. This resulted in an observed potential disallowed cost.	1,000.00	1,000.00	-
We observed two transactions that did not have sufficient supporting documentation to support the charge to the Housing Choice Voucher Program for telephone charges. This resulted in an observed potential disallowed cost.	347.18	347.18	
Total 2020 Potential Disallowed Costs Observed	**$ 1,347.18**	**$2,347.18**	**$(1,000.00)**

2021 POTENTIAL DISALLOWED COSTS OBSERVED			
DESCRIPTION	**AMOUNT**	**UNP**	**RNP**
We observed one transaction that did not have sufficient supporting documentation to support the charge to the Housing Choice Voucher Program for the audit fee. This resulted in an observed potential disallowed cost.	$ 1,937.56	$ 1,937.56	$ -
We observed an Error in RNP Calculation, overstatement of HAP expenses. This resulted in an equity reclassification.	-	(299,561.79)	299,561.79
We observed a net of inter-program borrowing of funds to COCC from the Section 8 Housing Choice Voucher Program. The transfer violates 24 CFR Sections 982.151 and 982.152.	(100,000.00)	-	-
Total 2021 Potential Disallowed Costs Observed	**$ (98,062.44)**	**$(297,624.23)**	**$299,561.79**

2022 POTENTIAL DISALLOWED COSTS OBSERVED			
DESCRIPTION	**AMOUNT**	**UNP**	**RNP**
We observed one transaction that did not have sufficient supporting documentation to support the charge to the Housing Voucher Program sundry account. This resulted in an observed potential disallowed cost.	$ 7,700.00	$ 7,700.00	$ -
We observed FSS Escrow Forfeitures recognized in miscellaneous revenue was observed to be improperly included in the UNP calculation. This resulted in an equity reclassification.	-	(109,875.08)	109,875.08
Section 8 Port in Admin fees were incorrectly coded to RNP during the audited submission. This resulted in an equity reclassification.	-	(400.00)	400.00
Total 2022 Potential Disallowed Costs Observed	**$ 7,700.00**	**$(102,575.08)**	**$110,275.08**

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
POTENTIAL DISALLOWED COSTS OBSERVED
REPERFORMANCE PERIOD JANUARY 1, 2017 THROUGH DECEMBER 31, 2022

TOTAL POTENTIAL DISALLOWED COSTS OBSERVED		
DESCRIPTION		**AMOUNT**
2017 Potential Disallowed Costs Observed	$	727.33
2018 Potential Disallowed Costs Observed		2,000,000.00
2019 Potential Disallowed Costs Observed		1,000,000.00
2020 Potential Disallowed Costs Observed		1,347.18
2021 Potential Disallowed Costs Observed		(98,062.44)
2022 Potential Disallowed Costs Observed		7,700.00
Tota Potential Disallowed Costs Observed	**$**	**2,911,712.07**

RECALCULATION OF UNRESTRICTED NET POSITION AND RESTRICTED NET POSITION

The following section includes the observed impacts on the recalculation of the unrestricted net position and restricted net position based on the identified "Potential Disallowed Costs Observed." The observed impact of the potential disallowed costs on the unrestricted net position and restricted net position are summarized by year throughout the reperformance period.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
RECALCULATION OF UNRESTRICTED NET POSITION (CONTINUED)
REPERFORMANCE PERIOD JANUARY 1, 2017 THROUGH DECEMBER 31, 2022

FDS Line Item #	Description	Previously Reported to HUD 2022	2017 Adjustments	2018 Adjustments	2019 Adjustments	2020 Adjustments	2021 Adjustments	2022 Adjustments	Revised Adjusted Balance
11170-001	Administrative Fee Equity – Beginning Balance	$(851,633)	$ -	$ -	$ -	$ -	$ -	$ -	$ (851,633)
11170-010	Administrative Fee Revenue	4,532,182.00	-	600.00	38,730.00	1,000.00	-	-	4,572,512.00
11170-020	Hard to House Fee Revenue	-	-	-	-	-	-	-	-
11170-030	Audit Costs	-	-	-	-	-	-	-	-
11170-040	Investment Income	12.95	-	-	-	-	-	-	12.95
11170-45	Fraud Recovery Revenue	12,065.00	-	-	-	-	-	-	12,605.00
11170-050	Other Revenue								
	Port In HAP	108,663.82	-	-	-	-	-	-	108,663.82
	Port In Admin Fee	7,385.25	-	-	-	-	-	-	7,385.25
	Transfer		(31,251.00)	-	(122,582.39)	-	-	(109,875.08)	(263,708.47)
	Other Income	115,349.84	-	-	-	-	-	-	(27,113.04)
11170-060	**Total Admin Fee Revenues**	**4,775,658.86**	**(31,251.00)**	**600.00**	**(83,852.39)**	**1,000.00**	**-**	**(109,875.08)**	**4,552,280.39**
11170-080	Total Operating Expenses	4,207,551.63	(727.33)	-	-	(1,347.18)	297,624.23	(7,700.00)	4,495,401.35
11170-090	Depreciation	-	-	-	-	-	-	-	-
11170-095	Housing Assistance Payment Portability In	22,833.23	-	-	-	-	-	400.00	23,233.23
11170-100	Other Expenses	-	-	-	-	-	-	-	-
11170-110	**Total Expenses**	**$ 4,230,384.86**	**$ (727.33)**	**$ -**	**$ -**	**$ (1,347.18)**	**$ 297,624.23**	**$ (7,300.00)**	**$ 4,518,634.58**
11170-002	Net Administrative Fee	$ (306,359.00)	$ (30,523.67)	$ 600.00	$ (83,852.39)	$ 2,347.18	$ (297,624.23)	$ (102,575.08)	$ (817,987.19)

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
RECALCULATION OF UNRESTRICTED NET POSITION (CONTINUED)
REPERFORMANCE PERIOD JANUARY 1, 2017 THROUGH DECEMBER 31, 2022

FDS Line Item #	Description	Previously Reported to HUD	2017 Adjustments	2018 Adjustments	2019 Adjustments	2020 Adjustments	2021 Adjustments	2022 Adjustments	Revised Adjusted Balance
11170-003	Administrative Fee Equity – Ending Balance	$ (306,359.00)	$ (30,523.67)	$ 600.00	$ (83,852.39)	$ 2,347.18	$ (297,624.23)	$ (102,575.08)	$ (817,987.19)
11170-005	Pre-2004 Administrative Fee Revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
11170-006	Post-2003 Administrative Fee Revenues	$ (306,359.00)	$ (30,523.67)	$ 600.00	$ (83,852.39)	$ 2,347.18	$ (297,624.23)	$ (102,575.08)	$ (817,987.19)

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
RECALCULATION OF RESTRICTED NET POSITION
REPERFORMANCE PERIOD JANUARY 1, 2017 THROUGH DECEMBER 31, 2022

FDS Line Item #	Description	Previously Reported to HUD	2017 Adjustments	2018 Adjustments	2019 Adjustments	2020 Adjustments	2021 Adjustments	2022 Adjustments	Revised Adjusted Balance
11180-001	Housing Assistance Payments Equity – Beginning Balance	$ (412.627.25)	$ -	$ -	$ -	$ -	$ -	$ -	$ (412,627.25)
11180-010	Housing Assistance Payment Revenues	35,191,049.00	-	(600.00)	(38,730.00)	(1,000.00)	-	-	35,150,719.00
11180-015	Fraud Recovery Revenue	12,065.00	-	-	-	-	-	-	12,065.00
11180-020	Other Revenue	1,294,242.09	31,251.00	-	-	-	-	109,875.08	1,435,368.17
11180.025	Investment Income	.26	-	-	-	-	-	-	.26
11180-030	**Total Housing Assistance Payment Revenue**	**36,497,356.35**	**31,251.00**	**(600.00)**	**(38,730.00)**	**(1,000.00)**	**-**	**109,875.08**	**36,598,152.43**
11180-080	Housing Assistance Payments	36,349,231.10	-	-	-	-	(299,561.79)	(400.00)	36,049,269.31
11180-090	Other Expenses	162,384.00	-	-	-122,582.39	-	-	-	39,801.61
11180-091	Comments for Other Expenses								
11180-100	**Total Housing Assistance Payment Expense**	**36,511,615.10**	**-**	**-**	**-122,582.39**	**-**	**(299,561.79)**	**(400.00)**	**36,089,070.92**
11180-002	Net Housing Assistance Payments	(14,258.75)	31,251.00	(600.00)	83,852.39	(1,000.00)	299,561.79	110,275.08	509,081.51
11180-003	**Housing Assistance Payments Equity – Ending Balance**	**$ (426,886.00)**	**$ 31,251.00**	**$ (600.00)**	**$ 83,852.39**	**$ (1,000.00)**	**$ 299,561.79**	**$ 110,275.08-**	**$ 96,454.26**

OBSERVATIONS AND RECOMMENDATIONS

The reperformance procedures for the period January 1, 2017 through December 31, 2022 resulted in observations and recommendations to be communicated to management and governance of the Housing Authority of the City of Milwaukee.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
OBSERVATIONS AND RECOMMENDATIONS
REPERFORMANCE PERIOD JANUARY 1, 2017 THROUGH DECEMBER 31, 2022

OBSERVATIONS NO. 1: IMPROPER ADVANCEMENT OF SECTION 8 PROGRAM FUNDS TO OTHER FUNDS

Observation 1.1: The Authority created interfund balance activity, which was presented as outstanding items on the bank reconciliation during the fiscal years ending December 31, 2018, 2019, and 2021. The reconciling items had not cleared the reconciliation as of December 31, 2022 and as a result represents cash that has been spent for other purposes outside of the Section 8 Housing Choice Voucher Program. Due to the nature of the transactions, the calculation of unrestricted and restricted net position was not impacted. The observed potential disallowed costs for the advancement of funds to other programs of the Authority was $2,900,000. 24 CFR Sections 982.151 and 982.152 states, HAP may not be used to cover administrative expenses, nor may HAP (including RNP) be loaned, advanced, or transferred to other component units or other programs**.**

Observed	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
Inter-program borrowing of funds to COCC from the Section 8 Housing Choice Voucher Program.	No	**Yes**	**Yes**	No	**Yes**	No	$-

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Recommendation 1: Misuse of grant funds advanced to another program is a serious issue that can jeopardize the Authority's compliance with the Uniform Guidance (2 CFR Part 200) and other compliance requirements of the U.S. Department of Housing and Urban Development (HUD).

Below are the recommendation to the Authority in relation to our observation:

1. **Strict Adherence to Grant Terms:**
    - Compliance: It is important that all grant funds are used strictly in accordance with the terms and conditions of the grant agreement. This includes adhering to the specific purposes and activities for which the funds were awarded.
2. **Internal Controls:**
    - Segregation of Funds: Segregate grant funds from other program funds helps prevent the commingling of funds and it is important that each grant is managed independently.
    - Cash Management: Best practice for transfers would include having someone with the skills, knowledge, and experience of federal requirements responsible for reviewing and approving all transfer requests. In addition, timely reconciliation of all cash accounts and review by someone other than the preparer will help identify any potential disallowed transactions.

3. **Training and Awareness:**
    - Staff Training: Provide regular training to staff involved in grant management on the requirements of the Uniform Guidance (2 CFR Part 200) and other compliance requirements of HUD and the importance of proper fund usage. It is important they understand the consequences of misusing grant funds.
    - Policy Updates: Keep staff informed of any updates or changes to grant management policies and procedures. Regular communication helps reinforce the importance of compliance.
4. **Corrective Actions:**
    - Immediate Response: If misuse of grant funds is identified, take immediate corrective actions to address the issue. This may include reallocating funds, reimbursing the grant, or implementing additional controls to prevent future occurrences.
    - Reporting: Report any instances of misuse to the appropriate Authority including the grantor agency, as required by the Uniform Guidance (2 CFR Part 200) and HUD. Transparency in reporting helps maintain trust and accountability.

OBSERVATIONS NO. 2: INCONSISTENT DOCUMENTATION OF REVIEW AND APPROVAL OF TRANSACTIONS

Observation 2.1: There is a lack of consistency in approving invoices before uploading them into Multiview. This resulted in the absence of any visible proof of approval before making payments. There was sufficient documentation to support the eligibility of the expenditure and charge to the Housing Choice Voucher program.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
417100 Audit Fees	Yes	Yes	No	Yes	No	No	$-
413010 Architectural Fees	No	No	No	No	Yes	Yes	$-
419003 Equipment Repairs	No	Yes	Yes	No	No	No	$-
419004 Postage	No	No	No	Yes	No	No	$-
419008 Office Supplies	No	No	No	No	Yes	No	$-
419010 Telephone	No	No	No	Yes	Yes	Yes	$-
419026 Contract Services	Yes	No	No	No	No	No	$-
442103 Furniture	No	No	No	No	No	Yes	$-
451200 Liability Insurance	Yes	No	No	No	No	No	$-
418200 Employee Benefit - Admin	Yes	No	Yes	Yes	Yes	No	$-

Observation 2.2: The mileage log and reimbursement forms did not consistently have both the employee and supervisor signature in accordance with the policies and procedures of the Authority. There was sufficient documentation to support the eligibility of the expenditure and charge to the Housing Choice Voucher program.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
418201 Mileage Reimbursement	Yes	No	Yes	Yes	Yes	No	$-

Recommendation 2: Consistent documentation of internal control is crucial for maintaining the integrity and efficiency of the Authority's operations.

Below are the recommendation to the Authority in relation to our observation:

1. **Enhanced Accountability**: Proper documentation shows actions and decisions are traceable, making it easier to hold individuals accountable for their responsibilities. Best practices would include, but not limited to, visual sign off by approver on all invoices. Accounts Payable team should record evidence of review and approval of invoices by signing off on documentation or implementing electronic approval in the accounting system.
2. **Risk Management**: Detailed records help identify potential risks and vulnerabilities within the organization, allowing for timely interventions and mitigation strategies.
3. **Regulatory Compliance**: Consistent documentation helps the Authority remain compliant with relevant laws and standards, avoiding legal penalties and reputational damage.
4. **Operational Efficiency**: Clear and accessible documentation streamlines processes and reduces the likelihood of errors, leading to more efficient and effective operations.
5. **Audit Preparedness**: Well-maintained records facilitate smoother and more efficient audits, providing auditors with the necessary information to assess the Authority's internal controls.
6. **Continuous Improvement**: Documentation provides a historical record that can be analyzed to identify trends, successes, and areas for improvement, fostering a culture of continuous improvement.

OBSERVATIONS NO. 3: IMPROPER MAINTENANCE OF THE COST ALLOCATION PLAN

Observation 3.1: Cost allocation of audit fees have not been updated since 2012. The % allocation has stayed steady at 15%. Management could not provide explanation for % used. Analysis of cost allocation driver was performed by review of the single audit program selection, HCV balance sheet percentage to total agency wide, and income statement as a percentage of agency wide. 15% allocation was found to be at the lower end of expected allocation.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
417100 Audit Fees	Yes	Yes	Yes	Yes	Yes	Yes	$-

Observation 3.2: PNC credit card statement used for Travel did not have clear understanding of how HCVP portion was determined. Upon request client was able to provide breakdown to support direct charge made to the program.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
415001 Travel Convention	No	No	Yes	No	No	No	$-

Observation 3.3: Documentation for invoices from the city lacked a clear explanation of the allocation method used. We observed the percentage allocation from the previous year consistently applied. Upon request client was able to provide breakdown to support direct charge made to the program for City attorney fees. Analysis of cost allocation driver was performed for telephone cost by reviewing salary expense of the program. The 11% allocation was found to be on the lower end of expected allocation.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
413000 City Attorney Fees	No	Yes	No	No	No	No	$-
419010 Telephone	No	No	Yes	No	No	No	$-

Observation 3.4: Documentation for employee benefits and insurance expense lacked a clear explanation of the allocation method used. We observed the percentage allocation from the previous year consistently applied. Analysis of cost allocation driver was performed for the accounts listed below by reviewing HCVP salary expense as a percentage to total entity wide. The allocation used for each account was on the lower end of the expected allocation.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
418200 Employee Benefit - Admin	Yes	Yes	No	No	No	No	$-
451200 Liability Insurance	Yes	Yes	No	No	No	No	$-
451300 Workers Comp Insurance	Yes	Yes	No	No	No	No	$-

Observation 3.5: Documentation for software invoice lacked a clear explanation of the allocation method used. Allocation percentage was consistently applied. Upon request client was able to provide allocation method to support the charges made to the program.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
419103 Software	No	No	No	No	No	Yes	$-

Recommendation 3: Accurate accounting and thorough documentation of cost allocation plans are essential for ensuring financial transparency and operational efficiency.

Below are the recommendation to the Authority in relation to our observation:

1. **Clear Allocation Methodology:** Establish and document a clear methodology for allocating costs. This should include the basis for allocation (e.g., direct labor hours, square footage, revenue) and the rationale behind choosing this basis.
2. **Consistency:** Apply the cost allocation methodology consistently across all departments and reporting periods. Consistency helps in maintaining comparability and reliability of financial information.
3. **Detailed Records:** Maintain detailed records of all costs allocated, including supporting documentation such as invoices, time sheets, and usage logs. By doing so, all allocations are traceable and verifiable.
4. **Regular Reviews:** Periodically review and update the cost allocation plan to reflect changes in operations, cost structures, or Authority priorities. This helps in keeping the plan relevant and accurate.

5. **Compliance with Standards:** It is important that the cost allocation plan complies with relevant accounting standards and regulatory requirements. This includes adherence to Generally Accepted Accounting Principles (GAAP), the Uniform Guidance (2 CFR Part 200), and other compliance requirements of HUD, as applicable.
6. **Transparency:** Provide clear and transparent documentation of the cost allocation plan to stakeholders, including management, auditors, and regulatory bodies. Transparency fosters trust and confidence in the financial reporting process.
7. **Training and Communication**: Train relevant personnel on the cost allocation plan and its importance. Effective communication is important so that everyone involved understands their roles and responsibilities in the process.

OBSERVATIONS NO. 4: INCONSISTENT MAINTENANCE OF READILY AVAILABLE SUPPORTING DOCUMENTATION FOR FINANCIAL TRANSACTIONS

Observation 4.1: The central office charges the HCVP program the same amount of management fee from month to month, with no review or reconciliation performed at year end. The amount charged was within the allowable limits of the program guidelines.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
413100 Management Fees	Yes	Yes	Yes	Yes	Yes	Yes	$-

Observation 4.2: Multiple instances were observed where inaccurate documentation was attached in Multiview. Management was able to locate original documentation

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
417100 Audit Fees	Yes	No	No	No	No	No	$-
419102 Software Maintenance	Yes	No	No	No	No	No	$-
462000 Casualty Losses	Yes	No	No	No	No	No	$-

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
OBSERVATIONS AND RECOMMENDATIONS
REPERFORMANCE PERIOD JANUARY 1, 2017 THROUGH DECEMBER 31, 2022

Observation 4.3: Management was inconsistently uploading documentation in Multiview. Several transactions did not have support attached. Management was able to produce the support upon request.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
330010 Fraud Recovery	No	No	No	Yes	Yes	Yes	$-
341022_341024 Portability Fees	No	No	No	Yes	Yes	Yes	$-
411600 Comp Time	No	No	No	Yes	No	No	$-
414000 Staff Training	No	No	Yes	No	No	No	$-
415001 Travel Convention	No	No	Yes	No	No	No	$-
415814 RAD Rehab	No	No	No	No	Yes	No	$-
419008 Office Supplies	No	No	No	Yes	No	No	$-
419010 Telephone	No	No	Yes	No	No	No	$-
419021 Computer Science	No	No	No	No	No	Yes	$-
419026 Contract Service	No	No	No	No	Yes	No	$-
443045 Carpenter (Central Maintenance)	No	Yes	Yes	No	No	No	$-
443047 Exterminating (Central Maintenance)	No	Yes	No	Yes	No	No	$-
451300 Workers Comp	No	No	No	Yes	No	No	$-
451500 Vehicle Insurance	No	No	No	No	Yes	No	$-
471500 Sec 8 HAP Payments	No	No	No	Yes	Yes	No	$-

Observation 4.4: There is a lack of information included in Multiview to understand the nature of transactions related to void, reversals, reclasses, and adjustments. The net impact to the program is zero.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
423000 Contracts and Training	Yes	No	No	No	No	No	$-
471500 Sec 8 HAP Payments	No	Yes	No	No	No	No	$-
443047 Exterminating (Central Maintenance)	No	Yes	Yes	No	Yes	Yes	$-
451100 Property Insurance	No	Yes	No	No	No	No	$-
442007 Janitorial supplies	No	No	No	No	No	Yes	$-
443025 Janitorial Contractor	Yes	No	No	No	No	No	$-
415814 RAD Rehab	No	No	No	Yes	No	Yes	$-
471600 FSS Escrow	Yes	No	No	No	No	No	$-
411000 Admin Salaries	Yes	Yes	Yes	Yes	Yes	Yes	$-
418200 Employee Benefit – Admin	Yes	Yes	Yes	Yes	Yes	No	$-
422200 Employee Benefit – Tenant Services	Yes	No	No	No	No	No	$-

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Observation 4.5: Documentation uploaded in Multiview did not always provide a clear understanding of the transaction being recorded. Multiview contained excess amount of documentation often not related to the transactions.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
418200 Employee Benefit – Admin	Yes	Yes	No	No	No	No	$-
451200 Liability Insurance	Yes	Yes	Yes	No	No	No	$-
471501 Section 8 HAP Portability	Yes	No	No	No	No	No	$-
411000 Admin Salaries	Yes	No	No	No	No	No	$-

Recommendation 4: Compliance with the Uniform Guidance (2 CFR Part 200) and other compliance requirements of HUD is essential, as a result it is important to implement robust accounting documentation management practices.

Below are the recommendation to the Authority in relation to our observation:

1. **Comprehensive Record-Keeping:** Maintain detailed records of all financial transactions related to the grant. This includes invoices, receipts, payroll records, and any other supporting documentation. It is important that the records are accurate, complete, and up-to-date.
2. **Accurate Financial Reporting:** It is important that financial reports are accurate, current, and complete. Reports should disclose the financial results of each Federal award or program in accordance with the reporting requirements specified in the Uniform Guidance (2 CFR Part 200) and other compliance requirements of HUD.
3. **Internal Controls:** Implement effective internal controls to safeguard assets and it is important that funds are used solely for authorized purposes. This includes regular audits and reviews to detect and prevent any misuse of funds.
4. **Compliance with Allowable Costs:** It is important that all costs charged to the grant are allowable, reasonable, and allocable as per the Uniform Guidance (2 CFR Part 200) and other compliance requirements of HUD. The Authority should maintain documentation to support the allowability of these costs. Management should evaluate appropriate skills, knowledge, and experience of all persons responsible for managing program revenue and expenses, and making final approval on disbursements and accounting transactions. A person knowledgeable with the compliance of the federal program would help elevate the risk of noncompliance.
5. **Retention and Access:** Retain all records for the period specified by the Uniform Guidance (2 CFR Part 200) and other compliance requirements of HUD, typically three years from the date of submission of the final expenditure report. It is important that records are easily accessible for audits and reviews. Management should evaluate their current process for uploading documentation and consider automation controls to ensure support is submitted with each transaction.
6. **Training and Awareness:** Provide training to all relevant personnel on the requirements of the Uniform Guidance (2 CFR Part 200) and other compliance requirements of HUD and the importance of maintaining proper documentation. Regularly update staff on any changes to the regulations.

OBSERVATIONS NO. 5: SUPPORT FOR FINANCIAL TRANSATIONS

Observation 5.1: Multiview had no documentation or incorrect documentation attached for several transactions. Management no longer had the original support. This resulted in adjustments to remove cost from the HCVP program in the amount of $ 10,662.07.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
418201 Mileage Reimbursement	Yes	No	No	No	No	No	$ 377.33
419000 Sundry	No	No	No	No	No	Yes	$ 7,700.00
417100 Audit Fees	No	No	No	No	Yes	No	$ 1,937.56
419010 Telephone	No	No	No	Yes	No	No	$ 347.18
462000 Casualty Losses - Non Capitalized	No	No	No	Yes	No	No	$ 1,000.00

Observation 5.2: A report from the City's accounting system is used to retrieve the monthly reimbursement for employee benefits and mileage reimbursement. However, the report lacks specific details regarding the expenses to help the Authority verify the accuracy of the information.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
418201 Mileage Reimbursement	Yes	No	No	Yes	Yes	Yes	$-
418200 Employee Benefit – Admin	Yes	Yes	Yes	Yes	No	Yes	$-

Observation 5.3: The Fee for Service Accrual is based on the prior year's actuals and then estimated for the current year. No other methodology is used. Once the actuals are entered the accrual is either deleted or reversed. Management had no support to show an accrual has been subsequently adjusted resulting in unsupported cost of $350. Management provided adjustment.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
440350 HVAC (Central Maintenance)	Yes	No	No	No	No	No	$ 350.00
443047 Exterminating (Central Maintenance)	No	Yes	No	No	No	No	$-

Observation 5.4: Invoices received from vendor for temp services purchased were not consistently supported by a time sheet.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
419006 Temp Services	No	No	No	No	Yes	No	$-

Observation 5.5: There is no support or explanation for equity transfer made during the audited REAC submission between UNP & RNP.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
HCVP Equity	No	No	Yes	No	No	No	$(112,582.39)/112,582.39

Observation 5.6: The trial balance for fiscal year 2022 does not align with the audited FDS submission. There is a prior period adjustment in the amount of $2,430,128.25 that impacts cash and investments, interfund, and expenses that has not been recorded on the trial balance.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
HCVP Trial Balance All	No	No	No	No	No	Yes	$-

Observation 5.7: A section 8 HAP payment paid to Kohn Law lacked a clear understanding as to why the payment was made to an attorney instead of the landlord.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
471500 Section 8 HAP	Yes	No	No	No	No	No	$-

Recommendation 5: Maintaining comprehensive supporting documentation is essential for compliance with the Uniform Guidance (2 CFR Part 200) and other compliance requirements of HUD.

Below are the recommendation to the Authority in relation to our observation:

1. **Detailed Record-Keeping:** Maintain thorough records of all financial transactions related to federal awards. This includes invoices, receipts, payroll records, and other supporting documents. It is important these records are accurate, complete, and up-to-date.
2. **Documentation of Allowable Costs:** It is important that all costs charged to federal awards are allowable, reasonable, and allocable as per the Uniform Guidance (2 CFR Part 200) and other compliance requirements of HUD. Maintain documentation to support the allowability of these costs
3. **Internal Controls:** Implement effective internal controls to safeguard assets and it is important that funds are used solely for authorized purposes. Regular audits and reviews can help detect and prevent any misuse of funds
4. **Retention Period:** Retain all records for the period specified by the Uniform Guidance (2 CFR Part 200) and other compliance requirements of HUD, typically three years from the date of submission of the final expenditure report. It is important that records are easily accessible for audits and reviews
5. **Transparency and Accessibility:** It is important that documentation is organized and easily accessible to relevant stakeholders, including auditors and regulatory bodies. Transparency fosters trust and confidence in the financial reporting process
6. **Training and Awareness:** Provide training to all relevant personnel on the requirements of the Uniform Guidance (2 CFR Part 200) and other compliance requirements of HUD and the importance of maintaining proper documentation. Regularly update staff on any changes to the regulations

OBSERVATIONS NO. 6: IMPROPER CALCULATION OF UNRESTRICTED NET POSITION AND RESTRICTED NET POSITION

Observation 6.1: A transaction in the amount of $31,251, reported to the other income GL account, was incorrectly mapped to the UNP and should have been mapped to the RNP. Correction was made to UNP & RNP based on reperformance.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
369000 Other Income	Yes	No	No	No	No	No	$(31,251)/31,251

Observation 6.2: Funding received from HUD was incorrectly classified between admin revenue and housing assistance payment revenue, resulting in incorrect UNP & RNP calculations. $600 in 2018, $38,730 in 2019 and $1,000 in 2020 was coded to HAP revenue instead of Admin revenue. Correction was made to UNP & RNP based on reperformance.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
341000 Housing Choice income & 341010 Admin Fee Income	No	Yes	Yes	Yes	No	No	$-

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Observation 6.3: An error was noted in the calculation of the 2021 UNP & RNP calculation, resulting in a misclassification between the two of $299,561.79. Correction was made to UNP & RNP based on reperformance.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
HCVP Equity	No	No	No	No	Yes	No	$-

Recommendation 6: Accurate calculation of Unrestricted Net Position (UNP) and Restricted Net Position (RNP) is essential for compliance with the Section 8 Housing Choice Voucher (HCV) Program. RNP Represents the difference between restricted assets and corresponding liabilities. These funds are constrained in use by external requirements, such as those imposed by creditors, grantors, or law. For the HCV program, RNP typically includes excess Housing Assistance Payments (HAP) funds held by the Public Housing Authority (PHA) but not yet paid to landlords. UNP Represents the difference between assets and liabilities that do not meet the definition of restricted net position or net investment in capital assets. For the HCV program, UNP usually refers to the PHA's administrative fee reserve.

Below are the recommendation to the Authority in relation to our observation:

1. **Calculation Methodology**:
    - **Restricted Net Position (RNP)**:
      RNP=Restricted Assets−(Liabilities+Deferred Inflows of Resources)RNP=Restricted Assets−(Liabilities+Deferred Inflows of Res ources)
      It is important that all HAP-related funds, utility reimbursement payments (URP), and Family Self-Sufficiency (FSS) escrow payments are included in the restricted assets
    - **Unrestricted Net Position (UNP)**:
      UNP=Total Assets−(Net Investment in Capital Assets+Restricted Net Position)UNP=Total Assets−(Net Investment in Capital Asset s+Restricted Net Position)
      Include all administrative revenue and expenses not related to HAP, URP, and FSS escrow payments
2. **Documentation and Transparency**:
    - **Detailed Records**: Maintain detailed records of all transactions affecting RNP and UNP. This includes supporting documentation such as invoices, receipts, and financial statements
    - **Regular Reviews**: Periodically review and update the calculations to reflect any changes in assets, liabilities, or restrictions. This helps in maintaining the accuracy and relevance of financial statements
3. **Compliance with Standards**:
    - **Adherence to GAAP**: It is important that the calculations comply with Generally Accepted Accounting Principles (GAAP) and any specific guidelines provided by the Department of Housing and Urban Development (HUD)
    - **Audit Preparedness**: Maintain an audit trail for all calculations and supporting documentation to facilitate smooth and efficient audits

OBSERVATIONS NO. 7: FAILURE OF INTERNAL CONTROLS OVER MANUAL JOURNAL ENTRIES

Observation 7.1: Review and approval over journal entries failed to identify error when recording monthly HUD revenue. An error was made in the amount of $1,000,000 in July. A correcting entry was later made in December. Net impact is zero, but RNP would have been overstated for 6 months until corrected.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
341000 Housing Choice Voucher Income	No	No	No	No	No	Yes	$-

Observation 7.2: Review and approval over journal entries failed to identify error when recording monthly expenses. Errors were noted related to miscoded transactions posed in three expenses. There was no impact on overall admin expenses.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
414000 Staff Training	No	No	No	No	No	Yes	$-
419008 Office Supplies	No	No	No	No	No	Yes	$-
442006 HVAC Services	No	No	No	No	Yes	No	$-

Recommendation 7.1: Proper documentation of internal controls for manual journal entries is essential for ensuring accuracy, preventing fraud, and maintaining financial integrity.

Below are the recommendation to the Authority in relation to our observation:

1. **Clear Authorization Procedures**:
    - **Approval Process**: Establish a clear approval process for manual journal entries. It is important that all entries are reviewed and approved by authorized personnel before being recorded. Review of transactions should include but are not limited to, verification of programs, agreeing amounts back to source documentation, verification entry is balanced both in total and by program, source documentation has required approvals, noted in the system clearly explain the nature of the entry being recorded, and supporting documentation is attached and uploaded with the transaction.
    - **Segregation of Duties**: Implement segregation of duties to prevent any single individual from having control over all aspects of a journal entry. This reduces the risk of errors and fraud

2. **Detailed Supporting Documentation**:
    - **Source Documents**: Attach all relevant source documents, such as invoices, receipts, and contracts, to support the journal entry. This provides evidence for the accuracy and legitimacy of the entry
    - **Explanatory Notes**: Include detailed descriptions and explanations for each journal entry. This should cover the purpose of the entry, the accounts affected, and any calculations or assumptions made
3. **Regular Reviews and Reconciliations**:
    - **Periodic Reviews**: Conduct regular reviews of manual journal entries to determine they are accurate and comply with internal policies and procedures. This helps in identifying and correcting any discrepancies promptly
    - **Reconciliations**: Perform periodic reconciliations of accounts affected by manual journal entries to determine that balances are accurate and complete
4. **Audit Trail**:
    - **Record Keeping**: Maintain a comprehensive audit trail for all manual journal entries. This includes keeping records of who prepared, reviewed, and approved each entry, as well as the date and time of these actions
    - **Access Controls**: Implement access controls to determine that only authorized personnel can create, modify, or approve manual journal entries

5. **Training and Awareness**:
    - **Staff Training**: Provide regular training to staff involved in the preparation and approval of manual journal entries. It is important they are aware of the importance of internal controls and the procedures to follow
    - **Policy Updates**: Keep staff informed of any updates or changes to internal control policies and procedures related to manual journal entries

OBSERVATIONS NO. 8: DELAYS IN THE POSTING OF TRANSACTIONS AFTER MONTH-END CLOSE

Observation 8.1: Transactions are posted months after the accounting date.

Account	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
471500 Section 8 HAP	No	Yes	No	No	No	No	$-

Recommendation 8.1: Timely accounting and financial reporting are critical for the effective management and governance of any organization. Assessing the financial departments capacity and allocating appropriate resources with the skills and knowledge of government and HUD accounting will help strengthen the Authority. Here are key reasons why this practice should be prioritized:

1. **Enhanced Decision-Making:**
   - **Informed Decisions:** Timely financial reports provide up-to-date information, enabling management to make informed decisions based on the current financial status of the organization.
   - **Strategic Planning:** Accurate and timely data supports strategic planning and helps in setting realistic goals and objectives.
2. **Regulatory Compliance:**
   - **Meeting Deadlines:** Adhering to reporting deadlines meets compliance with regulatory requirements and avoids potential penalties or legal issues.
   - **Transparency:** Timely reporting enhances transparency and accountability, fostering trust among stakeholders, including investors, creditors, and regulatory bodies.
3. **Financial Health Monitoring:**
   - **Early Detection of Issues:** Regular and timely financial reporting helps in the early detection of financial issues, allowing for prompt corrective actions.
   - **Performance Tracking:** It enables continuous monitoring of financial performance, helping to track progress against budgets and forecasts.
4. **Investor Confidence:**
   - **Building Trust:** Timely and accurate financial reports build confidence among investors and stakeholders, demonstrating the organization's commitment to good governance and financial integrity.
   - **Attracting Investment:** Reliable financial reporting can attract potential investors by showcasing the organization's financial stability and growth potential.

5. **Operational Efficiency:**
    - **Resource Allocation:** Timely accounting information aids in efficient resource allocation, ensuring that funds are used effectively to achieve organizational goals.
    - **Cost Management:** It helps in identifying cost-saving opportunities and managing expenses more effectively.

OBSERVATIONS NO. 9: INCONSISTENT MAINTENANCE OF PAYROLL RECONCILIATIONS AND RELATED SUPPORTING DOCUMENTATION

Observation 9.1: Documentation to support payroll transactions lacks a clear explanation for employees that are split among departments. Employees are coded by department in Paycom at time of hire and when changes occur. Most of the HCV employees work exclusively on the HCVP program so 100% of their time can be matched from the payroll register into the accounting system. There was one employee that promoted this observation. They were initially splitting time with HCVP and another program, then they fully transitioned into the other program. Their account was still coded to HCVP program in Paycom but the cost and time was no longer recorded to HCVP in the account system. This did not result in additional cost added to the program; therefore, no disallowed costs were observed.

Classification	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
Cost Allocation Plan	Yes	Yes	Yes	Yes	Yes	Yes	$-

Observation 9.2: Coding description between the client's payroll summary and the payroll register has inconsistencies. Ex. Regular time coded instead of vacation, sick coded instead of vacation etc. There is no net impact on the program.

Classification	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
Documentation	No	Yes	No	Yes	Yes	Yes	$-

Observation 9.3: Variances between payroll summary and payroll register not documented. This did not result in additional cost added to the program; therefore, no disallowed costs were observed.

Classification	2017	2018	2019	2020	2021	2022	UNP/RNP Impact
Documentation	No	Yes	Yes	Yes	No	No	$-

Recommendation 9.1: Accurate accounting for payroll and related costs is essential for compliance with the Uniform Guidance (2 CFR Part 200) and other compliance requirements of HUD.

HOUSING AUTHORITY OF THE CITY OF MILWAUKEE
OBSERVATIONS AND RECOMMENDATIONS
REPERFORMANCE PERIOD JANUARY 1, 2017 THROUGH DECEMBER 31, 2022

Below are the recommendation to the Authority in relation to our observation:

1. **Detailed Time and Effort Reporting:**
    - **Accurate Records:** Maintain detailed records that accurately reflect the work performed by employees. These records should be supported by a system of internal control that provides reasonable assurance that the charges are accurate, allowable, and properly allocated
    - Certification: It is important that employees or supervisors certify the accuracy of time and effort reports. This certification should confirm that the reported time is consistent with the actual work performed on the federal award
2. **Allowable Costs:**
    - **Reasonableness:** It is important that compensation for personal services is reasonable for the services rendered and conforms to the established written policy of the recipient or subrecipient
    - **Consistency:** Apply the same policies and procedures for both federal and non-federal activities to be compliant with consistency in compensation practices
3. **Fringe Benefits:**
    - **Documentation:** Document all fringe benefits provided to employees, such as health insurance, retirement contributions, and paid leave. It is important that these benefits are allowable and allocable to the federal award
    - **Allocation:** Allocate fringe benefits based on the proportion of time and effort employees spend on the federal award. This supports that only the appropriate share of fringe benefits is charged to the award
4. **Internal Controls:**
    - **Segregation of Duties:** Implement segregation of duties to prevent any single individual from having control over all aspects of payroll processing. This reduces the risk of errors and fraud
    - **Regular Audits:** Conduct regular audits and reviews of payroll records to determine compliance with the Uniform Guidance (2 CFR Part 200) and other compliance requirements of HUD and internal policies
5. **Training and Awareness:**
    - **Staff Training:** Provide regular training to staff involved in payroll processing and accounting. It is important that they are aware of the requirements of the Uniform Guidance (2 CFR Part 200) and other compliance requirements of HUD and the importance of maintaining accurate records
    - **Policy Updates:** Keep staff informed of any updates or changes to payroll policies and procedures related to federal awards

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