



DELAWARE STATE HOUSING AUTHORITY UNIFORM GUIDANCE SINGLE AUDIT

FOR FISCAL YEAR ENDED JUNE 30, 2022

DELAWARE STATE HOUSING AUTHORITY UNIFORM GUIDANCE SINGLE AUDIT

REPORT SUMMARY FOR FISCAL YEAR ENDED JUNE 30, 2022

BACKGROUND

The mission of the Delaware State Housing Authority (DSHA) is to provide, and assisting others with providing quality, affordable housing opportunities and appropriate supportive services to low- and moderate-income Delawareans.

This engagement was performed in accordance with 31 Del.C. §4015 and 29 Del.C. §2906 and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).



KEY INFORMATION AND FINDINGS

The financial statement report contains an unmodified opinion. An unmodified opinion is sometimes referred to as a “clean” opinion. It is one in which the auditor expresses an opinion that the financial statements present fairly, in all material respects, an entity’s financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. In the Auditors’ opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The internal controls review section contained significant deficiencies. A Significant Deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness but important enough to merit attention.

Financial Statement Findings

- Auditors found misstatements, of the financial statement balances requiring auditors to make material adjusting journal entries to Governmental Funds. Additionally, auditors needed to make material adjustments to the financial data schedule on DSHA’s Financial Data Submission to the U.S. Department of Housing and Urban Development Real Estate Assessment Center (HUD REAC) to present it without material misstatement.

Management concurred with the finding and committed to implementation of the auditor’s recommendations. Additionally, DSHA responded that it is in the process of updating its report structures to properly prepare the financial data submission to the HUD REAC.

- DSHA identified potential errors in the processing and payment of assistance totaling approximately \$904,000. Auditors considered the design over the processing of payments to be an internal control design weakness applicable to the financial statement findings as well as a finding on the Schedule of Expenditures of Federal Awards.

DSHA Management implemented a Corrective Action Plan comprised of three key elements:

- Implementation of a new software system
 - Implementation of new process workflows and approvals performed by DSHA personnel
 - Engaging an external consultant to analyze, verify and remediate applications
-
- Auditors found three assistance processing errors resulting in overpayments. Although the amount of the overpayments appears immaterial, all deviations/exceptions are evaluated to understand the likely cause and determine if the exception should be reported. Auditors assessed that weaknesses in the design, implementation, and operation of internal controls over compliance allowed application processing errors to occur and not be detected.

DSHA management consented to review program policies and procedures to ensure compliance with statutory requirements. DSHA agreed to ensure that staff responsible for processing Delaware Housing Assistance applications are trained effectively to adhere to program policies and procedures consistently.

Federal Awards Findings

- Auditors determined that internal controls over compliance were not appropriately designed, implemented, or operated to appropriately address the risk of noncompliance with federal program requirements for the federal award of the COVID-19 Emergency Rental Assistance (ERA) Program.

Audit testing revealed cases in which applicants received assistance in excess of the allowable maximum assistance and some cases that received the correct amount of assistance were not processed in accordance with the program requirements.

DSHA management developed corrective action plans for the financial statement findings to adequately addresses issues with the compliance findings for federal award reporting.

- Audit testing of a sample of rental assistance applications revealed process errors and errors in monthly rental assistance payments using ERA funds.

DSHA management developed corrective action plans for the financial statement findings to adequately addresses issues with the compliance findings for federal award reporting.

- Auditors found that DSHA was non-compliant with the requirements of the COVID-19 Emergency Rental Assistance Program. Reports required by the U.S. Treasury were not submitted timely and accurately and were not supported by proper documentation. Auditors found inaccuracies in financial and non-financial data reporting on the quarterly reports submitted to the U.S. Treasury.

In response, DSHA management noted that in September 2022, DSHA implemented new processes for preparing and submitting ERA reports to U.S. Treasury (UST).



For any questions regarding the attached report, please contact OAOA_Comms@delaware.gov.

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FULL REPORT**

DELAWARE STATE HOUSING AUTHORITY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
INDEPENDENT AUDITORS' REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS AND
THE UNIFORM GUIDANCE**

JUNE 30, 2022

DELAWARE STATE HOUSING AUTHORITY
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***Independent Auditors' 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***

To the Delaware State Housing Authority
Dover, Delaware

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Delaware State Housing Authority (DSHA), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise DSHA's basic financial statements, and have issued our report thereon dated December 22, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered DSHA'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of DSHA's internal control. Accordingly, we do not express an opinion on the effectiveness of DSHA's internal control.

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

Our consideration of internal control was for the limited purpose described in the second paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant

To the Delaware State Housing Authority
Dover, Delaware

deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as Findings 2022-001 through 2022-004 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether DSHA's financial statements are free from 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 findings and questioned costs as items 2022-002 and 2022-004.

DSHA's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on DSHA's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. DSHA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Belfint, Lyons & Shuman, P.A.

December 22, 2022
Wilmington, Delaware



*Independent Auditors' Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance*

To the Delaware State Housing Authority
Dover, Delaware

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Delaware State Housing Authority's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Delaware State Housing Authority's major federal programs for the year ended June 30, 2022. The Delaware State Housing Authority's major federal programs are identified in the *Summary of Auditors' Results* section of the accompanying schedule of findings and questioned costs.

In our opinion, Delaware State Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Delaware State Housing Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Delaware State Housing Authority's compliance with the compliance requirements referred to above.

To the Delaware State Housing Authority
Dover, Delaware

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Delaware State Housing Authority's federal programs.

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Delaware State Housing Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Delaware State Housing Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Delaware State Housing Authority's internal control over compliance. Accordingly, no such opinion is expressed.

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

To the Delaware State Housing Authority
Dover, Delaware

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-006 through 2022-008. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Delaware State Housing Authority's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Delaware State Housing Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Delaware State Housing Authority is responsible for preparing a corrective action plan to address each audit finding included in our Auditors' report. Delaware State Housing Authority's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the *Auditors' Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weakness or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-005 through 2022-008 to be significant deficiencies.

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

To the Delaware State Housing Authority
Dover, Delaware

Government Auditing Standards requires the auditor to perform limited procedures on the Delaware State Housing Authority's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Delaware State Housing Authority's response was not subjected to the other 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Delaware State Housing Authority, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Delaware State Housing Authority's basic financial statements. We issued our report thereon dated December 22, 2022, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Belfint, Lyons & Shuman, P.A.

March 27, 2023
Wilmington, Delaware

**DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Federal Grantor/Program Title	Assistance Listing Number	Contract Number	Total Program Expenditures	Sub-Recipient Expenditures
Direct Grants				
U.S. Department Of Housing and Urban Development				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii				
	14.228*	B-18-DC-10-0001	\$ 133,589	\$ 133,589
		B-19-DC-10-0001	544,009	544,009
		B-20-DC-10-0001	1,352,984	1,289,269
COVID-19		B-20-DW-10-0001	3,336,428	3,223,478
		B-21-DC-10-0001	708,232	626,645
		Program Income	8,333	7,375
COVID-19 Recovery Housing Program		B-20-RH-10-0001	827,377	827,377
		B-21-RH-10-0001	781,409	781,409
Total CDBG/State's Program and Non-Entitlement Grants in Hawaii			7,692,361	7,433,151
Emergency Solutions Grant Program				
COVID-19				
	14.231	E-20-DC-10-0001	106,207	88,653
		E-20-DW-10-0001	896,954	831,819
		E-21-DC-10-0001	116,742	116,742
Total Emergency Solutions Grant Program			1,119,903	1,037,214
HOME Investment Partnerships Program				
	14.239	M-17SG1-00100	255,626	255,626
		M-18SG1-00100	848,434	848,434
		M-19SG1-00100	168,672	168,672
		M-20SG1-00100	90,592	-
		M-21SG1-00100	41,309	-
		Program Income	4,285,573	321,741
Total HOME Investment Partnerships Program			5,690,206	1,594,473
Housing Opportunities for Persons with AIDS				
COVID-19				
	14.241	DEH20F999	99,471	90,050
		DEH20FW999	20,836	19,929
		DEH21F999	191,566	191,566
Total Housing Opportunities for Persons with AIDS			311,873	301,545
Section 811 Project Rental Assistance Demonstration				
	14.326	DE26RDD1201	769,732	769,732
Performance Based Contract Administrator Program				
COVID-19 Performance Based Contract Administrator Program				
	14.327*	Various	43,786,747	42,450,696
		Various	25,241	25,241
Total Performance Based Contract Administrator Program			43,811,988	42,475,937
Housing Trust Fund				
	14.275	F16SG1-00100	252,012	252,012
		F17SG1-00100	165,654	165,654
		F18SG1-00100	1,055,164	1,055,164
		F19SG1-00100	218,912	51,037
		F20SG1-00100	123,432	-
		Program Income	37,642	17,376
Total Housing Trust Fund			1,852,816	1,541,243
2017 Mainstream Voucher Program				
COVID-19 Special Administrative Fees				
	14.879	FR-6100-N-43	442,444	-
		DE9018F0005,0008	3,040	-
Total 2017 Mainstream Voucher Program			445,484	-
Family Unification Program				
	14.880	2009FUPDE9018010	374,880	-

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Federal Grantor/Program Title	Assistance Listing Number	Contract Number	Total Program Expenditures	Sub-Recipient Expenditures
Direct Grants - Continued:				
U. S. Department Of Housing And Urban Development - Continued				
Housing Choice Voucher Program (3)	14.871	DE901EH0001	\$ 14,415	\$ -
		DE901EF0001	6,890	-
		DE901EP0001	15,200	-
Total Emergency Housing Voucher Program			<u>36,505</u>	<u>-</u>
Moving to Work Demonstration Program				
Public and Indian Housing Program	14.881	DE004-0000320D	3,428	-
COVID-19		DE004-0000320DC	388,319	-
		DE004-0000321D	1,220,659	-
		DE004-0000322D	1,339,109	-
Public Housing Capital Fund		Various	449,995	-
Lower Income Housing Assistance Program (Section 8)				
Moving To Work Vouchers		DE901VOW 119-130, PR20-21	7,021,560	-
VASH		DE901VO 0157-0179	107,161	-
RAD		DE901VO 0156,0161	2	-
RAD - R1 HAP		DE901R10009	386,650	-
Special Administrative Fees		DE901AFR 121,221,321,421	73,702	-
Special Administrative Fees		DE901AFE 030-038	898,469	-
Special Administrative Fees		DE901AF 0111-0123	186,624	-
COVID-19 Special Administrative Fees		DE901AF 0110	266,944	-
Total Moving to Work Demonstration Program			<u>12,342,622</u>	<u>-</u>
Total U. S. Department of Housing and Urban Development			<u>74,448,370</u>	<u>55,153,295</u>
U.S. Department Of The Treasury				
United States Department of the Treasury				
COVID-19 Emergency Rental Assistance 2 - ARP	21.023*	SAI2021-06-23-01	82,569,383	2,214,289
United States Department of the Treasury				
COVID-19 Homeowner Assistance Fund - ARP	21.026	SAI2021-04-30-02	348,035	-
Total U. S. Department of the Treasury			<u>82,917,418</u>	<u>2,214,289</u>
Total Direct Grants			<u>157,365,788</u>	<u>57,367,584</u>
Indirect Grants				
United States Department of the Treasury				
Passed Through the State of Delaware				
COVID-19 Coronavirus Relief Fund	21.019*	SAI000000450	7,000,000	-
Total Indirect Grants			<u>7,000,000</u>	<u>-</u>
TOTAL FEDERAL AWARDS			<u>\$ 164,365,788</u>	<u>\$ 57,367,584</u>

* Denotes a major federal program.

(1) As of June 30, 2022, the amount of outstanding single family mortgages purchased by the Authority and covered by either FHA insurance or a VA guarantee was \$2,600,985 and \$533,153, respectively.

(2) HOME Investment Partnerships Program Income cash receipts included \$838 of interest revenue for the fiscal year ended June 30, 2022.

(3) All spending reported under 14.871 Housing Choice Voucher Program is Emergency Housing Voucher Program.

See notes to supplemental schedule of expenditures of federal awards.

N/A - Not Available.

DELAWARE STATE HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Uniform Guidance prescribes the accounting principles and financial reporting requirements to be followed by the Authority in the preparation of the schedule of expenditures of federal awards. The following is a summary of the significant accounting and reporting policies followed by the Authority.

Basis of Accounting - The schedule of expenditures of federal awards is prepared on the accrual basis of accounting with the exception of advance payments, which are considered to be expenditures when passed through to the sub-recipient.

2. OTHER INFORMATION

The Authority charged indirect administrative expenses to federal programs based on its June 2020 Indirect Cost Allocation Plan.

**DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditors' Report Issued:	Unmodified			
Internal Control Over Financial Reporting:				
• Material Weaknesses Identified?	_____	Yes	_____ <u>x</u> _____	No
• Significant Deficiencies Identified that are not Considered to be Material Weaknesses?	_____ <u>x</u> _____	Yes	_____	None Reported
• Noncompliance Material to Financial Statements Noted?	_____ <u>x</u> _____	Yes	_____	No

Federal Awards

Type of Auditors' Report Issued on Compliance for Major Programs (unmodified, adverse, or disclaimer):	Unmodified			
Internal Control Over Major Programs:				
• Material Weaknesses Identified?	_____	Yes	_____ <u>x</u> _____	No
• Significant Deficiencies Identified that are not Considered to be Material Weaknesses?	_____ <u>x</u> _____	Yes	_____	None Reported
Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR Section 200.516(a).	_____ <u>x</u> _____	Yes	_____	No

Identification of Major Programs

Assistance	
<u>Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.023	Emergency Rental Assistance
14.327	Performance Based Contract Administrator Program
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
21.019	Coronavirus Relief Fund

Dollar Threshold Used to Distinguish between Type A and Type B Programs:	\$ <u>3,000,000</u>
Auditee Qualified as Low-Risk Auditee?	_____ Yes _____ <u>x</u> _____ No

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2022

II. FINANCIAL STATEMENT FINDINGS

Reference Number: 2022-001

Type of Finding: Significant Deficiency

Department of Finance - Financial Reporting Close Process

Condition: We found four misstatements of the financial statement balances requiring material adjusting journal entries to the Downtown Development Districts Fund, the Federal Programs Enterprise Fund, and the Nonmajor Governmental Funds. These adjustments should have been made during DSHA's year-end financial close process, but were required as a result of our audit procedures. The four material adjusting journal entries increased assets \$3,264,870, decreased liabilities \$5,605,041, increased revenue \$8,869,911, and resulted in the recording of an internal transfer of \$500,000. These entries were to adjust HOME interest receivable allowance, remove a payable recorded twice, to record an internal transfer, and correctly record revenue.

We found four additional misstatements requiring material adjusting journal entries to the Federal Programs Enterprise Fund. The four adjusting journal entries increased assets \$431,956, increased liabilities \$1,332,378, decreased revenue \$745,528, and increased expense \$154,894. These entries were to record a lease, as required by GASBS No. 87, *Leases*, to correct revenue and deferred revenue, and to correct administrative fees charged to a federal program.

The financial reporting module of DSHA's accounting software was not timely updated to support the preparation of the audited financial statements.

Criteria: Preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires adequate review and adjustment of the year-end accounting data and financial information used to prepare DSHA's financial statements.

Cause: While DSHA's financial closing procedures captured most of the necessary closing journal entries, the procedures did not detect these unusual and complex entries. The financial reporting module of DSHA's accounting software was not timely updated to support the preparation of the audited financial statements due to turnover in the Financial Analysis and Reporting Section.

Effect: These material misstatements, discovered by the auditors during the course of fieldwork, required adjustment to the financial statements.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2022

II. FINANCIAL STATEMENT FINDINGS - CONTINUED

Reference Number: 2022-001 - Continued

Recommendation: We recommend DSHA enhance its financial closing procedures. As part of the process, DSHA should evaluate all post-closing entries and audit adjustments from the recent fiscal years, to ensure that procedures and controls are in place to properly identify and record similar or related transactions in the future, on a timely basis. All significant or non-routine transactions and adjustments should be subjected to a second level of review. Additionally, reconciliations should be prepared for all significant year end balances.

We recommend DSHA review their processes to ensure DSHA's financial reporting module is updated timely and accurately.

Views of Responsible Authority Officials and Planned Corrective Actions: See Corrective Action Plan.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2022

II. FINANCIAL STATEMENT FINDINGS - CONTINUED

Reference Number: 2022-002

Type of Finding: Significant Deficiency

Internal Control Over Compliance - United States Emergency Rental Assistance Program

Condition: During the year ended June 30, 2021, DSHA commenced operation of the United States Emergency Rental Assistance Program (ERA) which was funded by the Consolidated Appropriations Act, 2020 and the American Rescue Plan Act of 2021. DSHA identified potential errors in the processing and payment of assistance totaling approximately \$904,000 that occurred during the period of May 1, 2021 through September 30, 2021.

DSHA's design over the processing of payments included the following steps, performed by ERA Program Management, which we consider internal control design weaknesses which, together, we consider a significant deficiency:

- The vendor information for some landlords, deemed eligible for receiving rental assistance for eligible renters, from the ERA Program software, was manually matched with pre-existing DSHA vendor information in the MITAS accounting system, to facilitate the payment of rental assistance. The matching of the landlord information to the vendor information in the MITAS vendor database was not adequately reviewed by DSHA personnel prior to initiating vendor payments, resulting in erroneous payments.
- ERA Program management uploaded vendor landlord payments calculated in the ERA Program software to DSHA's accounting system without the performance of a detailed review, before disbursement of the funds, to verify that the payments were directed to the correct landlord(s).

Criteria: DSHA management is responsible for establishing and maintaining effective internal control over compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

Cause: Weaknesses in the design of internal controls and processing errors made by DSHA allowed erroneous payments of rental subsidies to be made and not detected.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2022

II. FINANCIAL STATEMENT FINDINGS - CONTINUED

Reference Number: 2022-002 - Continued

Effect: DSHA's weaknesses in the design of internal controls over the vendor maintenance and payment processes in the ERA Program resulted in processing errors, which caused overpayment of rental assistance during the year ended June 30, 2022, and overpayment and underpayment of rental assistance from the prior period to go unresolved. DSHA's internal controls were insufficient for management or employees to identify noncompliance with the provisions of laws, regulations, contracts, and grant agreements relating to the ERA Program in a timely manner.

Recommendation: We recommend DSHA complete its analysis of identifying payment errors that occurred in the ERA program and remediating the errors as required by the U.S. Treasury.

Views of Responsible Authority Officials and Planned Corrective Actions: See Corrective Action Plan.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2022

II. FINANCIAL STATEMENT FINDINGS - CONTINUED

Reference Number: 2022-003

Type of Finding: Significant Deficiency

Department of Finance - Financial Reporting - Federal Data Submission

Condition: During the performance of agreed-upon procedures on DSHA's Financial Data Submission to the U.S. Department of Housing and Urban Development Real Estate Assessment Center (REAC), we found material adjustments needed to be made to the financial data schedule to present it without material misstatement in relation to the audited basic financial statements taken as a whole.

Criteria: DSHA's Financial Data Submission should be reconciled to the audited basic financial statements in all material respects.

Cause: DSHA has experienced turnover in the Financial Analysis and Reporting Section which resulted in delays updating DSHA's financial reporting module to support the timely and accurate preparation of the federal data submission.

Effect: Material adjustments, discovered by the auditors during the course of fieldwork, were required to be made to the financial data schedule.

Recommendation: We recommend DSHA review its processes to ensure that its financial reporting module is updated timely and accurately.

Views of Responsible Authority Officials and Planned Corrective Actions: See Corrective Action Plan.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2022

II. FINANCIAL STATEMENT FINDINGS - CONTINUED

Reference Number: 2022-004

Type of Finding: Significant Deficiency

Internal Control Over Compliance - United States Emergency Rental Assistance Program

Condition: During audit testing of the ERA program for the period from October 1, 2021 through June 30, 2022, we found three assistance processing errors resulting in overpayments of \$9,125 in a sample of 40 assistance applications totaling \$243,184. We found two applicants that received assistance in excess of the maximum allowed by the ERA federal regulations and one applicant whose security deposit was in excess of one month's rent which was also a violation of the ERA federal regulations.

Criteria: DSHA management is responsible for establishing and maintaining effective internal control over compliance with the provisions of laws, regulations, contracts, grant agreements, and noncompliance which could have a direct and material effect on the financial statements.

Cause: Weaknesses in the design, implementation, and operation of internal controls over compliance allowed application processing errors to occur and not be detected.

Effect: DSHA's control weaknesses in the ERA Program resulted in application processing errors which caused overpayment of rental assistance during the year ended June 30, 2022. DSHA's internal controls were insufficient to allow management or employees to identify noncompliance with the provisions of laws, regulations, contracts, and grant agreements relating to the ERA Program in a timely manner.

Recommendation: We recommend DSHA review the design and implementation of internal controls to address the identified weaknesses in internal control.

Views of Responsible Authority Officials and Planned Corrective Actions: See Corrective Action Plan.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2022

III. FEDERAL AWARD FINDINGS

United States Department of the Treasury

Reference Number: 2022-005

Program: 21.023 COVID-19 Emergency Rental Assistance

Federal Award Number: ERA-2101123208

Type of Finding: Significant Deficiency in Internal Controls over Compliance

Compliance Requirement: Allowable Cost/Cost Principles

Condition: The following conditions were revealed during audit testing of the ERA Program:

As reported in financial statement finding 2022-002, during the year ended June 30, 2021, DSHA commenced operation of the ERA Program which was funded by the Consolidated Appropriations Act, 2020 and the American Rescue Plan Act of 2021. DSHA identified potential errors in the processing and payment of assistance totaling approximately \$904,000 that occurred during the period of May 1, 2021 through September 30, 2021.

We consider DSHA's design over the processing of payments included the following steps, performed by ERA Program Management internal control design weaknesses which, together, we consider a significant deficiency:

- The vendor information for some landlords, deemed eligible for receiving rental assistance for eligible renters, from the ERA Program software, was manually matched with pre-existing DSHA vendor information in the MITAS accounting system, to facilitate the payment of rental assistance. The matching of the landlord information to the vendor information in the MITAS vendor database was not adequately reviewed by DSHA personnel prior to initiating vendor payments, resulting in erroneous payments.
- ERA Program management uploaded vendor landlord payments calculated in the ERA Program software to DSHA's accounting system without a detailed review, before disbursement of the funds, to verify that the payments were directed to the correct landlord(s).

Criteria: DSHA management is responsible for establishing and maintaining effective internal control over compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material on the federal program.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2022

III. FEDERAL AWARD FINDINGS - CONTINUED

Reference Number: 2022-005 - Continued

Questioned Costs: None. DSHA's remediation plan includes funding of payment errors from non-federal funds.

Effect: Federal program expenditures of rental assistance were overpaid, and errors were made in the disbursement of approved rental assistance.

Cause: Internal controls over compliance were not appropriately designed, implemented, or operated to address the risk of noncompliance with the federal program requirements.

Recommendation: We recommend DSHA enhance its policies and procedures for processing rental assistance applications to ensure compliance with the federal program's requirements.

Views of Responsible Authority Officials and Planned Corrective Actions: See Corrective Action Plan

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2022

III. FEDERAL AWARD FINDINGS - CONTINUED

United States Department of the Treasury

Reference Number: 2022-006

Program: 21.023 COVID-19 Emergency Rental Assistance

Federal Award Number: ERA-2101123208 and ERAE0280

Type of Finding: Noncompliance; Significant Deficiency in Internal Controls over Compliance

Compliance Requirement: Eligibility

Condition: Audit testing of a statistical sample of 40 cases processed during the period from September 1, 2021 through June 30, 2022, revealed the following:

- Three cases revealed that three applicants received assistance in excess of the allowable maximum assistance resulting in overpayments of \$11,225. Additionally, audit testing noted one of these applicants received an additional overpayment of \$3,250 during the year ending June 30, 2023. The overpayments resulted from errors in applying statutorily established limits for rental assistance, duplicating assistance payments for the same months for one applicant, and the payment of a security deposit assistance in excess of one month's rent.
- Three cases that received the correct amount of assistance were not processed in accordance with the program requirements. Specific supporting documentation required by the program guidelines was not obtained to support assistance payments.

Criteria: The following summarizes the applicable portions of the ERA program requirements:

- United States Department of the Treasury Program FAQs updated July 6, 2022:
 - ERA1 allows an eligible household to receive up to 12 months of assistance (plus an additional three (3) months if necessary to ensure housing stability for the household, subject to the availability of funds).
 - ERA2 allows an eligible household to receive up to 15 months of assistance (plus an additional three (3) months if necessary to ensure housing stability for the household, subject to the availability of funds).
 - The amount of a security deposit should not exceed one month's rent, except in cases where a higher amount is reasonable and customary in the local housing market. DSHA's ERA program design and guidelines limits security deposit assistance to one month's rent.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2022

III. FEDERAL AWARD FINDINGS - CONTINUED

Reference Number: 2022-006 - Continued

Criteria - Continued:

- Grantees must establish policies and procedures to govern the implementation of their ERA programs consistent with the statutes and the ERA program requirements.

- 501(k)(3)(B) of Division N of the Consolidated Appropriations Act, 2021, and 2 CFR 200.403 requires a grantee to confirm that the ERA1 assistance does not duplicate any other assistance, including federal, state, or local assistance provided for the same costs.

Questioned Costs: Audit testing of 40 cases totaling \$243,254 of assistance identified \$11,295 of overpayments.

Context: During the period of September 1, 2021 through June 30, 2022, DSHA approved and disbursed assistance for 9,986 cases totaling \$64,082,208.

Effect: Federal program expenditures of rental assistance were overpaid.

Cause: Internal controls over compliance were not appropriately designed, implemented, or operated to appropriately address the risk of noncompliance with the federal program requirements.

Recommendation: We recommend DSHA enhance its policies and procedures for processing rental assistance applications to ensure compliance with the federal program's requirements.

Views of Responsible Authority Officials and Planned Corrective Actions: See Corrective Action Plan.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2022

III. FEDERAL AWARD FINDINGS - CONTINUED

United States Department of the Treasury

Reference Number: 2022-007

Program: 21.023 COVID-19 Emergency Rental Assistance

Federal Award Number: ERA-2101123208

Type of Finding: Noncompliance; Significant Deficiency in Internal Controls over Compliance

Compliance Requirement: Eligibility

Condition: Audit testing of a statistical sample of 40 rental assistance applications processed during the year ended June 30, 2022, in the prior processing system (that was replaced in August 2021) revealed one instance where 16 months of rental assistance was paid for a household using ERA1 funds, when a maximum of 15 months of rental assistance is allowed to be paid with ERA1 funds and one application only included one sign off, rather than the required two, from an ERA Program rental assistance processor.

Criteria: The following summarizes the applicable portions of the ERA program requirements as detailed in United States Department of the Treasury Program FAQs updated July 6, 2022:

- ERA1 allows an eligible household to receive up to 12 months of assistance (plus an additional three (3) months if necessary to ensure housing stability for the household, subject to the availability of funds).
- Grantees must establish policies and procedures to govern the implementation of their ERA programs consistent with the statutes and the ERA program requirements.

Questioned Costs: Audit testing of 40 cases totaling \$221,269 of assistance identified \$900 of overpayments.

Context: During the period of July 1, 2021 through August 2021, DSHA approved and disbursed assistance for 1,194 cases totaling \$7,438,552.

Effect: Federal program expenditures of rental assistance were overpaid.

Cause: Internal controls over compliance were not appropriately designed, implemented, or operated to appropriately address the risk of noncompliance with the federal program requirements.

Recommendation: We recommend DSHA enhance its policies and procedures for processing rental assistance applications to ensure compliance with the federal program's requirements.

Views of Responsible Authority Officials and Planned Corrective Actions: See Corrective Action Plan.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2022

III. FEDERAL AWARD FINDINGS - CONTINUED

United States Department of the Treasury

Reference Number: 2022-008

Program: 21.023 COVID-19 Emergency Rental Assistance

Federal Award Number: ERA-2101123208 & ERAE0280

Type of Finding: Noncompliance; Significant Deficiency in Internal Controls over Compliance

Compliance Requirement: Reporting & Special Tests and Provisions

Condition: The following conditions were found during audit testing of four monthly reports and one quarterly report for ERA1 and ERA2:

1. DSHA procedures over the reporting did not require a secondary review prior to submission of the reports.

2. Supporting documentation was not retained for information reported on the reports selected for testing. We were unable to reconcile amounts reported on monthly and quarterly reports submitted to the U.S. Treasury to underlying records. Additionally, audit testing found the differences noted below between the reports submitted and records obtained during the audit:
 - a. The ERA1 report for the quarter ended June 30, 2022, reported program spending and obligations totaling \$166,277,794. Actual ERA1 expenditures through June 30, 2022, totaled approximately \$93,350,000. Program obligations were not tracked or reported.

 - b. We found the following differences in Federal Funding Accountability and Transparency Act reporting on the quarterly reports submitted to the U.S. Treasury.
 - i. One subrecipient's TIN number appeared incorrectly in the subrecipients section of the quarterly report.

 - ii. DSHA could not provide evidence that two program subrecipients were correctly included in the quarterly report.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2022

III. FEDERAL AWARD FINDINGS - CONTINUED

Reference Number: 2022-008

Condition - Continued:

3. The following U.S. Treasury required reports were not submitted timely:
 - a. Reports for the quarter ended September 30, 2021 were due on October 29, 2021 and were submitted on December 28, 2021.
 - b. Reports for the quarter ended June 30, 2022, were due to the U.S. Treasury on July 15, 2022 and were submitted on August 15, 2022.

Criteria: United States Department of the Treasury ERA Program Reporting Guidance version 3.2 was issued March 29, 2022. The following sections of the Reporting guidance contain the key criteria:

- Pages 10 and 11 detail monthly and quarterly reporting deadlines for the entire period of performance.
- Page 38 includes the text of the Report Certification and Submission representation that includes the following:

“I certify that the information provided is accurate and complete after reasonable inquiry of people, systems, and other information available to the ERA Recipient. ...”
- 2 CFR § 200.303 - Internal controls requires the non-federal entity to establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Questioned Costs: None

Context: Monthly and Quarterly reports were required to be submitted for both ERA1 and ERA2.

Effect: Reports required by the U.S. Treasury were not submitted timely and accurately, and were not supported by contemporaneously prepared supporting documentation. Information necessary for the U.S. Treasury to calculate the required reallocations was not accurately reported on the quarterly reports submitted.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2022

III. FEDERAL AWARD FINDINGS - CONTINUED

Reference Number: 2022-008

Cause: Internal controls over reporting were not appropriately designed, implemented, or operated. The report preparation process utilized reports generated from one application processing system, without taking into account payments processed outside of that system.

Recommendation: We recommend DSHA enhance its policies and procedures for preparing and approving required reports prior to submission.

Views of Responsible Authority Officials and Planned Corrective Actions: See Corrective Action Plan

**DELAWARE STATE HOUSING AUTHORITY
RESPONSE TO SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CORRECTIVE ACTION PLAN
JUNE 30, 2022**

**Financial Statement Finding 2022-001 - Financial Reporting Close Process
Corrective Action Plan:**

The Financial Analysis and Reporting Section manager is responsible for ensuring all adjusting/closing journal entries are properly recorded. However, due to the turnover of personnel familiar with the unusual and complex nature of accounting for each program, along with addition funding guidelines, there were some non-routine transactions and adjustments that were overlooked during the closing process but got picked up during the financial statement audit. Going forward, management will implement the auditor's recommendation to review and enhance our financial closing procedures; conduct secondary level reviews which will include consultation with our audit firm, if necessary; and prepare reconciliations for all significant year end balances. These action plans have been implemented immediately for the 2023 Fiscal Year and will remain in effect going forward.

Responsible Official: Annette Miller, Director of Financial Management

**Financial Statement Finding 2022-002 - Internal Control Over Compliance - United States Emergency Rental Assistance Program
Corrective Action Plan:**

DSHA has implemented a Corrective Action Plan which it believes fully addresses the internal control weaknesses identified in connection with the audit finding of a material weakness related to DSHA's operation of the Emergency Rental Assistance ("ERA") program. The Corrective Action Plan is comprised of three key elements: 1. Implementation of a new software system that fully addresses certain process issues encountered with its existing software application. 2. Implementation of new process workflows and approvals performed by DSHA personnel to ensure proper approval of case applications and payment of approved applications to proper vendors. 3. Engaging an external consultant to analyze, verify and remediate, as required, applications processed in the predecessor software system. Each of these three elements is further discussed below. In August 2021, DSHA implemented a new software application to accept and process applications for the ERA program and replace its existing application. DSHA implemented this system as a means to correct and resolve the issues it was experiencing with respect to timely and accurate payment processing. The new system included significant improvements in workflow related to payment processing and account verification, as well as other needed program features. With the new software application, one of the root causes of DSHA's application payment issues was immediately addressed, by eliminating the need to manually upload vendor payment information from its predecessor application to DSHA's accounting system for payment. The prior manual upload process resulted in various vendor payment issues and erroneous payments. The new software application is a completely self-contained application, with workflow approvals that span from application submittal and approval to vendor payment. Each week all approved applications are automatically batched and sent to DSHA for approval prior to payment. This workflow has resolved previous issues where payments were not made timely for approved applications. The new software application incorporates significant improvements to payment processing and account verification. As mentioned above, there is no need to transfer or upload data between new software application and the accounting system to effect payments of approved applications. The new software application includes a verification process whereby the vendor ACH information is verified by a "penny test" or small deposit that the user must verify. ACH payments can only be made to accounts that are verified. Once payments are made through new software application, batch details are imported to the accounting software via a custom interface for accounting system transaction

reporting. Implementation of New Process Workflows, Approvals and Verifications by DSHA Coupled with the new software application implementation, DSHA implemented updated ERA Program Guidelines and new internal policy and process manuals to ensure its internal controls and processes appropriately addressed the compliance requirements of the ERA program and to ensure properly approved applications are paid to proper vendors. All cases in Approved Status are batched each week by the new software application and sent to DSHA for approval. DSHA reviews each of the approved applications within the batch and approves the batch once verified. At that point, requested funds are wired and payments issued by the new software application. This process has resolved previous instances of non-payment of approved cases. DSHA has developed new Case Auditor and Case Supervisor Process Guides and Checklists, which now standardize the processes used to review, verify and approve applications prior to payment. The new software application case management workflow requires separate Case Auditor and Case Supervisor verification of program requirements and payments prior to approval and payment of an application. Remediation of Prior Case Applications Processed in the predecessor application DSHA has engaged a third-party external consultant to assist it in ensuring that the applications processed in the predecessor application system resulted in payments to appropriate vendors for proper, compliant applications. The objective of this assessment is to identify any applications processed within predecessor application that resulted in either over or under payment to the vendor recipient. Once identified, these over and/or under payments will be remediated. These action plans have been implemented beginning August 2021 for the 2022 Fiscal Year and will remain in effect going forward.

Responsible Official: Marlena Gibson, Director of Policy and Planning.

Financial Statement Finding 2022-003 – Financial Reporting – Federal Data Submission

Corrective Action Plan:

The turnover in the position that prepares and submits the FDS is out of DSHA's control. However, we have engaged an outside accounting firm that specializes in HUD reporting to assist with both the FY22 Unaudited submission as well as the FY22 Audited submission. Additionally, DSHA is in the process of updating its report structures to properly prepare the report. Lastly, the outside account firm will also explain the reporting process to the staff member that handles the FDS reporting to HUD REAC.

Responsible Official: Annette Miller, Director of Financial Management.

Financial Statement Finding 2022-004 – Internal Control Over Compliance – United States Emergency Rental Assistance Program

Corrective Action Plan:

DSHA will take these recommendations under advisement, and review program policies and procedures to ensure they are in accordance with statutory requirements. DSHA will ensure that staff responsible for processing DEHAP applications are training effectively in how to interpret and apply program policies and procedures, and will clearly communicate the expectation that review staff adhere to program policies and procedures consistently.

DSHA would like to request clarification on Belfint's interpretation of the statutory requirement around security deposits. To our knowledge, UST has suggested applying a limit of one month's rent as guidance, but has not made this an actual requirement of the federal Emergency Rental Assistance Program.

Responsible Official: Marlena Gibson, Director of Policy and Planning.

Federal Awards Finding 2022-005 - Emergency Rental Assistance Allowable Cost/Cost Principles

Corrective Action Plan: DSHA introduced ERA funding to support DEHAP in March 2021 using an application software program. This software accommodated application processing activity, but did not have the capability to

issue assistance payments. To issue assistance payments, DSHA was required to manually transfer application information from application processing service into an established payment processing platform; this created opportunity for data entry errors. In August 2021, DSHA transitioned DEHAP to a new application processing software platform. This new platform can accommodate both application processing and payment processing, eliminating the opportunity for data entry errors in the transfer of information from one program process to the next.

Responsible Official: Devon Manning, Director of Policy & Planning and Brian Rossello, Director of Housing Finance

Completion Date: August 2021

Federal Awards Finding 2022-006 - Emergency Rental Assistance Eligibility

Corrective Action Plan: Please see responses to 2022-002, 2022-004, and 2022-005.

Responsible Official: Devon Manning, Director of Policy & Planning and Brian Rossello, Director of Housing Finance

Completion Date: August 2021

Federal Awards Finding 2022-007 - Emergency Rental Assistance Eligibility

Corrective Action Plan: Please see responses to 2022-002, 2022-004, and 2022-005.

Responsible Official: Devon Manning, Director of Policy & Planning and Brian Rossello, Director of Housing Finance

Completion Date: August 2021

Federal Awards Finding 2022-007 - Emergency Rental Assistance Reporting

Corrective Action Plan: In September 2022, DSHA implemented new processes for preparing and submitting ERA reports to U.S. Treasury. A third party technical assistance provider now has access to the UST Reporting portal, and coordinates with DSHA program staff to collect data to prepare report submissions. After reporting fields have been populated in the UST Portal, the DSHA Director of Policy & Planning reviews, certifies, and submits reports to UST. DSHA is coordinating with this technical assistance provider to ensure that a record of reporting information is retained after reports are submitted.

Responsible Official: Devon Manning, Director of Policy & Planning and Brian Rossello, Director of Housing Finance

Completion Date: September 2022

DELAWARE STATE HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2022

I. Financial Statement Findings

Reference Number: 2021-001

Type of Finding: Significant Deficiency

Department of Finance - Financial Reporting Close Process

Condition: During our audit work, we noted seven misstatements of the financial statement balances requiring material adjusting journal entries. These adjustments should have been made by the Financial Analysis and Reporting Section during the year-end financial close process but were required as a result of our audit procedures. The material adjusting journal entries increased assets \$718,888, decreased liabilities \$865,628, decreased interfund balances \$1,559,416, increased revenue \$3,023,016 and increased expenses \$2,997,915. These entries were to correctly record capital assets, adjust unrealized gains to actual, adjust interfund balances, record Delaware Sustainable Energy Utility proceeds as debt and other financing sources inflows, and to correctly recognize revenue, expenses and payables associated with undisbursed funds for a federal program.

Recommendation: We recommend DSHA enhance its financial closing procedures. As part of the process, the Financial Analysis and Reporting Section should evaluate all post-closing entries and audit adjustments, from the recent fiscal years, to ensure that procedures and controls are in place to properly identify and record similar or related transactions in the future, on a timely basis. All significant or non-routine transactions and adjustments should be subjected to a second level of review. Additionally, reconciliations should be prepared for all significant year end balances.

Current Status: A similar condition was noted during the June 30, 2022 audit. See finding 2022-001.

Reference Number: 2021-002

Type of Finding: Material Weakness

Internal Control Over Compliance - United States Emergency Rental Assistance Program

Condition: During the year ended June 30, 2021, DSHA commenced operation of the ERA Program which was funded the by the Consolidated Appropriations Act, 2020 and the American Rescue Plan Act of 2021. DSHA identified potential errors in the processing and payment of assistance of totaling approximately \$1 million that occurred during the year ended June 30, 2021. Additionally, potential errors occurred during the period of July 1, 2021 through September 30, 2021, totaling approximately \$2.2 million.

DELAWARE STATE HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
JUNE 30, 2022

I. Financial Statement Findings - Continued

Reference Number: 2021-002 - Continued

Condition - Continued:

DSHA's design of procedures over the processing of payments included the following steps, performed by ERA Program Management, which we consider internal control design weaknesses which, together, we consider a material weakness:

1. The vendor information for some landlords deemed eligible for receiving rental assistance for eligible renters was manually matched with pre-existing DSHA vendor information in the MITAS accounting system to facilitate the payment of rental assistance. The matching of landlord information to vendor information in the existing DSHA vendor database was not reviewed by DSHA prior to initiating vendor payment, potentially resulting in erroneous payments.
2. Vendor profiles were manually imported from the ERA Program software to the DSHA's accounting system without the performance of a detailed comparison and review.
3. ERA Program management uploaded vendor landlord payments calculated in the ERA Program software to the DSHA's accounting system without the performance of a detailed review before disbursement of the funds to verify payments were directed to the correct landlord(s).

Recommendation: We recommend DSHA complete its analysis of identifying and remediating payment errors that occurred in the ERA program and re-design procedures to address the identified weaknesses in internal control

Current Status: A similar condition was noted during the June 30, 2022 audit. See finding 2022-002.

DELAWARE STATE HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
JUNE 30, 2022

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

United States Department of the Treasury

Reference Number: 2021-003

Program: 21.023 COVID-19 Emergency Rental Assistance

Federal Award Number: SAI2021-06-23-01

Type of Finding: Noncompliance; Significant Deficiency in Internal Controls over Compliance

Compliance Requirement: Allowable Costs/Cost Principles

Condition: Audit testing of a statistical sample of 50 rental assistance applications processed during the year ended June 30, 2021, revealed four overpayments totaling \$14,345. The rental assistance applications supporting the four overpayments contained various documentation and processing errors. The nature of the errors (and resulting overpayments) are as follows: 9 months of rental assistance was approved; however, 18 months of rental assistance was paid (\$5,600), duplication of assistance paid by a related DSHA program (\$6,750), and two rental assistance applications were not adjusted to the landlord approved balance (\$1,995).

Recommendation: We recommend DSHA enhance its policies and procedures for processing rental assistance applications to ensure compliance with the federal program's requirements.

Current Status: A similar condition was noted during the June 30, 2022 audit. Finding 2022-006 is classified as an Eligibility finding. 2021-003 is Allowable Cost.

United States Department of the Treasury

Reference Number: 2021-004

Program: 21.023 COVID-19 Emergency Rental Assistance

Federal Award Number: SAI2021-06-23-01

Type of Finding: Material Weakness in Internal Controls over Compliance

Compliance Requirement: Allowable Costs/Cost Principles

Condition: The following conditions were revealed during audit testing the ERA Program:

1. Audit testing of a statistical sample of 50 rental assistance applications processed during the year ended June 30, 2021, revealed four underpayments totaling \$5,172. The rental assistance applications were not adjusted to the amount approved by the Landlord resulting in underpayments totaling \$5,172.
2. Internal controls over the processing of rental assistance applications only required one sign off, rather than the required two, from an ERA Program rental assistance processor for a brief period at the beginning of program operations.

DELAWARE STATE HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
JUNE 30, 2022

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - CONTINUED

Reference Number: 2021-004

Condition - Continued:

3. Audit testing of a statistical sample of 50 rental assistance applications processed during the year ended June 30, 2021, revealed one application that did not include identification documentation, or a lease agreement, as required by DSHA's program policies.

4. As reported in financial statement finding 2021-002, during the year ended June 30, 2021, DSHA identified errors in the disbursement of approved rental assistance. DSHA determined payment errors resulted in overpayments totaling \$551,373. DSHA has indicated overpayments will be remediated with non-federals funds. DSHA's design of procedures over the processing of payments included the following steps, performed by ERA Program Management, which we consider internal control design weaknesses which, together, we consider a material weakness:
 - The vendor information for some landlords deemed eligible for receiving rental assistance for eligible renters was manually matched with pre-existing DSHA vendor information in the MITAS accounting system to facilitate the payment of rental assistance. The matching of landlord information to vendor information in the existing DSHA vendor database was not reviewed by DSHA prior to initiating vendor payment, resulting in erroneous payments.

 - Vendor profiles were manually imported from the ERA Program software to the DSHA's accounting system without the performance of a detailed comparison and review.

 - ERA Program management uploaded vendor landlord payments calculated in the ERA Program software to the DSHA's accounting system without the performance of a detailed review before disbursement of the funds to verify payments were directed to the correct landlord(s).

Recommendation: We recommend DSHA enhance its policies and procedures for processing rental assistance applications to ensure compliance with the federal program's requirements.

Current Status: A similar condition was noted during the June 30, 2022, audit. See finding 2022-005.

DELAWARE STATE HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
JUNE 30, 2022

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - CONTINUED

United States Department of the Treasury

Reference Number: 2021-005

Program: 21.019 COVID-19 Coronavirus Relief Fund

Federal Award Number: SAI000000450

Type of Finding: Noncompliance; Significant Deficiency

Compliance Requirement: Allowable Costs/Cost Principles

Condition: Testing of a static sample of 40 rental assistance applications processed during the year ended June 30, 2021, revealed one recipient that did not provide evidence of COVID-19 related loss of income. The file was processed and approved to pay assistance for three months totaling \$3,337.

Recommendation: We recommend DSHA enhance its policies and procedures to ensure compliance with the federal program's requirements.

Current Status: No instances noted during June 30, 2022 audit.