



DELAWARE STATE HOUSING AUTHORITY SINGLE AUDIT

SINGLE AUDIT
FISCAL YEAR ENDED JUNE 30, 2024



DELAWARE STATE HOUSING AUTHORITY

SINGLE AUDIT

REPORT SUMMARY FISCAL YEAR ENDED JUNE 30, 2024

BACKGROUND

The mission of the Delaware State Housing Authority (DSHA) is to efficiently provide, and assist others to provide, 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, 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.

For five (5) of the ten (10) findings, similar conditions were noted in the fiscal year 2023 and 2022 reports and are considered repeat findings:

- Finding 2024-001, Financial Reporting Close Process
- Finding 2024-002, Financial Reporting - Federal Data Submission
- Finding 2024-003, Internal Control Over Compliance - United States Emergency Rental Assistance Program
- Finding 2024-004, Significant Deficiency in Internal Controls over Compliance Requirement: Reporting; Special Tests and Provisions
- Finding 2024-008, Significant Deficiency in Internal Controls over Compliance Requirement: Eligibility



DELAWARE STATE HOUSING AUTHORITY

SINGLE AUDIT

REPORT SUMMARY FISCAL YEAR ENDED JUNE 30, 2024

KEY INFORMATION AND FINDINGS CONT.

Financial Statement Findings

- Auditors found misstatements of the financial statement balances requiring auditors to make material adjusting journal entries to the General Fund, the Federal Programs Enterprise Fund, and the Housing Development Fund. A new loan servicing module resulted in 2 adjustments for \$887,891 and \$1,039,901, respectively.
 - Management concurred with the finding and committed to implementation of the auditor's recommendations. Additionally, action plans have been implemented immediately for 2025, and will remain in effect going forward.
- DSHA's Financial Data Submission to the U.S. Department of Housing and Urban Development Real Estate Assessment Center (REAC) required material adjustments to the financial data schedule to present it without material misstatement in relation to the audited basic financial statements.
- DSHA Management committed to a Corrective Action Plan comprised of three key elements:
 - Hire an outside accounting firm to assist with the REAC & HUD reconciliations
 - Updating and maintaining its report structures to properly prepare reports
 - Will implement procedures to train staff members that handle the FDS reporting to HUD REAC
- Auditors found one case where applicant eligibility income was calculated incorrectly; and found 2 cases where utility assistance payments were calculated incorrectly.
 - DSHA has expanded the use of the program policy and procedure change log to include this program.



DELAWARE STATE HOUSING AUTHORITY

SINGLE AUDIT

REPORT SUMMARY FISCAL YEAR ENDED JUNE 30, 2024

KEY INFORMATION AND FINDINGS CONT.

Federal Awards Findings

- Auditors determined that internal controls over compliance were not appropriately designed, implemented, or operating to appropriately address the risk of noncompliance with federal program requirements for the federal award of the COVID-19 Emergency Rental Assistance (ERA) Program (2024-04).
- Audit testing revealed a case which resulted in the incorrect calculation of the Area Median Income (AMI) percentage (2024-004).
- Supporting documentation was not retained for information on the reports selected for audit testing.
 - DSHA will implement a policy and procedure requiring the retention of reported backup data to be retained with the submitted report and will require that the review of the submitted report be documented and that any identified report discrepancies be noted and retained with the submitted report.
- Auditors found that client assistance expenditures were held by a vendor contracted to process and disburse client assistance and the funds were reported as federal expenditures. Subsequently, \$433,522 was off-set against assistance payments processed by the vendor on November 14, 2023 (2024-005).
 - DSHA has implemented the process of requiring the reduction of applicable credits to be applied to all future payment batches and be utilized to fund assistance, which will eliminate the funds being held by the vendor and remove the need to report as a federal expenditure.
- Homeowner assistance applications did not correctly determine homeowner income which resulted in assistance overpayments (2024-006).
 - DSHA management noted that in September 2022, DSHA implemented new processes for preparing and submitting ERA reports to U.S. Treasury (UST).
 - DSHA has corrected the calculation error in its income calculations form. Additionally, increased weekly training and case review have been implemented to detect and prevent such errors.



DELAWARE STATE HOUSING AUTHORITY SINGLE AUDIT

REPORT SUMMARY FISCAL YEAR ENDED JUNE 30, 2024

KEY INFORMATION AND FINDINGS CONT. ---

- Auditors also found inaccuracies in financial and non-financial data reporting on the quarterly reports submitted to the U.S. Treasury and found that refunded assistance payments were not remitted timely to DSHA (2024-007).
 - DSHA will implement a policy and procedure requiring the retention of reporting backup data to be retained with the submitted report and will require that the review of the submitted report be documented and that any identified report discrepancies be noted and retained with the submitted report.
- DSHA performed “after-the-fact” reviews that identified several households that potentially received fraudulent assistance payments. DSHA identified and recovered a portion of the payments, but did not pursue resolution of the matter (2024-008).
- DSHA will update its policy and procedure to require the documentation of the discontinuation of potential fraudulent assistance recovery efforts.

DELAWARE STATE HOUSING AUTHORITY

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

JUNE 30, 2024

DELAWARE STATE HOUSING AUTHORITY
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***Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards***

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, 2024, and the related notes to the financial statements, which collectively comprise DSHA's basic financial statements, and have issued our report thereon dated December 20, 2024.

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.

To the Delaware State Housing Authority
Dover, Delaware

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as Findings 2024-001 and 2024-002 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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. 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.

March 21, 2025
Wilmington, Delaware



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***Independent Auditor's 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, 2024. The Delaware State Housing Authority's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs.

In our opinion, the 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, 2024.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of 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.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on 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 the risk of non-detection 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.

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 2024-003, 2024-004, 2024-005, 2024-006, 2024-007, and 2024-008. 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 compliance 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 Delaware State Housing Authority is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The 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 *Auditor's Responsibilities for the Audit of Compliance* section on the previous page 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. During our audit, 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 2024-003, 2024-004, 2024-005, 2024-006, 2024-007, and 2024-008 to be significant deficiencies.

To the Delaware State Housing Authority
Dover, Delaware

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

Government Auditing Standards requires the auditor to perform limited procedures on the Delaware State Housing Authority's response to the internal control over compliance findings identified in our compliance 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 the Delaware State Housing Authority, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Delaware State Housing Authority's basic financial statements. We issued our report thereon dated March 21, 2025, 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 21, 2025
Wilmington, Delaware

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Federal Grantor Program Title Pass-Through Grantor	Assistance Listing Number	Contract Number / Pass-Thru Entity Identifier	Total Program Expenditures	Sub- Recipient Expenditures
U.S. Department Of Housing and Urban Development				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	B-19-DC-10-0001	\$ 37,225	\$ 37,225
		B-20-DC-10-0001	62,133	62,133
COVID-19		B-20-DW-10-0001	694,319	621,967
		B-21-DC-10-0001	410,753	410,753
		B-22-DC-10-0001	1,033,148	965,778
		B-23-DC-10-0001	839,706	746,910
COVID-19		B-20-RH-10-0001	29	-
		B-21-RH-10-0001	279,756	221,058
COVID-19		B-22-RH-10-0001	1,122,821	1,105,609
		B-23-RH-10-0001	200,462	200,462
Total CDBG/State's Program and Non-Entitlement Grants in Hawaii			<u>4,680,352</u>	<u>4,371,895</u>
Emergency Solutions Grant Program	14.231	E-20-DW-10-0001	56,179	56,179
COVID-19		E-21-DC-10-0001	74,544	74,544
		E-22-DC-10-0001	56,431	37,913
		E-23-DC-10-0001	105,450	105,450
Total Emergency Solutions Grant Program			<u>292,604</u>	<u>274,086</u>
HOME Investment Partnerships Program	14.239*	M-17SG1-00100	573,793	573,793
		M-18SG1-00100	516,448	516,448
		M-19SG1-00100	1,378,148	1,378,139
		M-20SG1-00100	541,133	541,133
		M-21SG1-00100	52,286	-
COVID-19		M-21SP1-00100	117,802	-
		M-22SG1-00100	261,507	-
		M-23SG1-00100	159,924	-
		Program Income (1)	994,450	628,716
Total HOME Investment Partnerships Program			<u>4,595,491</u>	<u>3,638,229</u>
Housing Opportunities for Persons with AIDS	14.241	DEH22F999	230,937	220,183
		DEH23F999	194,082	194,082
Total Housing Opportunities for Persons with AIDS			<u>425,019</u>	<u>414,265</u>
Housing Trust Fund	14.275	F18SG1-00100	119,897	119,897
		F19SG1-00100	1,509,439	1,509,439
		F20SG1-00100	653,501	653,501
		F21SG1-00100	129,161	-
		F22SG1-00100	267,017	-
		Program Income	91,038	-
Total Housing Trust Fund			<u>2,770,053</u>	<u>2,282,837</u>
Project Rental Assistance Demonstration Program of Section 811 Supportive Housing for Persons with Disabilities	14.326	DE26RDD1201	851,078	851,078
Performance Based Contract Administrator Program	14.327	Various	48,205,065	46,530,004
Section 8 Housing Choice Vouchers (Emergency Housing Voucher Program)	14.871	DE901EH 0003-0006	309,686	-
		DE901EF0001	22,603	-
Total Emergency Housing Voucher Program			<u>332,289</u>	<u>-</u>

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Federal Grantor Program Title Pass-Through Grantor	Assistance Listing Number	Contract Number / Pass-Thru Entity Identifier	Total Program Expenditures	Sub- Recipient Expenditures
U.S. Department Of Housing And Urban Development - Continued				
Mainstream Vouchers	14.879	DE901DV0024-0032 DE9018F0025-0032 DE9018FR123,223,323	\$ 629,371 70,751 13,858	\$ - - -
Total 2017 Mainstream Voucher Program			713,980	-
Family Unification Program	14.880	2009FUPDE9018010	401,089	-
Moving to Work Demonstration Program	14.881			
Public and Indian Housing Program		DE004-00000323D DE004-00000324D	1,110,708 1,414,926	- -
Public Housing Capital Fund		DE01P004501-21 DE01P004501-22 DE01P004501-23	599,247 166,138 86,076	- - -
Lower Income Housing Assistance Program (Section 8)				
Moving To Work Vouchers		DE901VOW 132, 138-140, 142-147	7,340,271	-
VASH		DE901VO 192-194, 196-198, 206-209	155,302	-
RAD		DE901VO 0183-0185	3	-
Special Administrative Fees		DE901AFR 522,123,223,323	42,648	-
Special Administrative Fees		DE901AFE 044-049	1,149,497	-
Special Administrative Fees		DE901AF 0130-0138	271,102	-
Total Moving to Work Demonstration Program			12,335,918	-
Total U. S. Department of Housing and Urban Development			75,602,938	58,362,394
U.S. Department Of The Treasury				
COVID-19 Emergency Rental Assistance Program	21.023*	SAI2021-06-23-01	2,834,429	2,140,676
COVID-19 Homeowner Assistance Fund	21.026*	SAI2021-04-30-02	16,270,491	417,250
COVID-19 Coronavirus State and Local Fiscal Recovery Funds State of Delaware	21.027*	SLFRP0139	1,553,989	124,864
Total U. S. Department of the Treasury			20,658,909	2,682,790
U.S. Department Of Homeland Security				
COVID-19 Emergency Management Performance Grant, Supplemental American Rescue Plan Act Delaware Emergency Managemenet Agency	97.042	EMPG-ARPA 21-008A	78,275	-
Total U.S. Department Of Homeland Security			78,275	-
TOTAL FEDERAL AWARDS			<u>\$ 96,340,122</u>	<u>\$ 61,045,184</u>

* Denotes a major federal program.

(1) HOME Investment Partnerships Program Income cash receipts included \$203,743 of interest revenue for the fiscal year ended June 30, 2024.

See notes to supplemental schedule of expenditures of federal awards.

DELAWARE STATE HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024

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, 2024**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued:

Unmodified

Internal Control Over Financial Reporting:

- | | | | | |
|--|---------------|-----|---------------|---------------|
| • Material Weaknesses Identified? | _____ | Yes | _____ x _____ | No |
| • Significant Deficiencies Identified that are not Considered to be Material Weaknesses? | _____ x _____ | Yes | _____ | None Reported |
| • Noncompliance Material to Financial Statements Noted? | _____ | Yes | _____ x _____ | No |

Federal Awards

Type of Auditor's Report Issued on Compliance for

Major Programs (unmodified, adverse, or disclaimer):

Unmodified

Internal Control Over Major Programs:

- | | | | | |
|--|---------------|-----|---------------|---------------|
| • Material Weaknesses Identified? | _____ | Yes | _____ x _____ | No |
| • Significant Deficiencies Identified that are not Considered to be Material Weaknesses? | _____ x _____ | Yes | _____ | None Reported |

Any Audit Findings Disclosed that are Required to be Reported in Accordance with 2 CFR Section 200.516(a).

_____ x _____	Yes	_____	No
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Identification of Major Programs

Assistance

Listing Number

Name of Federal Program or Cluster

14.239	HOME Investment Partnerships Program
21.023	COVID-19 Emergency Rental Assistance Program
21.026	COVID-19 Homeowner Assistance Fund
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Dollar Threshold Used to Distinguish between Type A and Type B Programs:

\$ 2,890,000

Auditee Qualified as Low-Risk Auditee?

_____ x _____	Yes	_____	No
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DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2024

II. FINANCIAL STATEMENT FINDINGS

Reference Number: 2024-001

Type of Finding: Significant Deficiency

Department of Finance - Financial Reporting Close Process

Condition: We found two misstatements of the financial statement balances requiring material adjusting journal entries to the General Fund and Federal Programs Enterprise Fund. These adjustments should have been made during DSHA's year-end financial close process but were required as a result of our audit procedures. A material adjusting journal entry decreased assets and revenue by \$887,891 to remove accrued loan interest receivables and the related revenue caused by errors that arose from implementing a new loan servicing module. A material adjusting journal entry increased beginning fund balance and expenses by \$1,039,901 of the Federal Program Enterprise Fund to record a loan that was incorrectly recorded as a grant expense in the prior year and corrected through expense during the year ended June 30, 2024.

We also found four misstatements of the financial statement balances requiring adjusting journal entries in the Housing Development Fund and the Federal Programs Enterprise Fund. These adjustments were made in the prior year and were a result of our audit procedures in the prior year but were incorrectly reversed in the current year. One of the entries was material to the Federal Programs Enterprise Fund and increased unearned revenue by \$1,069,604 and decreased revenues by \$1,069,604. The remaining three entries decreased assets and revenues by \$961,914 in the Housing Development Fund and decreased assets by \$273,666, decreased revenues by \$612,678, and decreased expenses by \$339,012 in the Federal Programs Enterprise Fund. These entries were to re-establish loan loss allowances and to re-adjust interest forgiveness due to loan modifications.

A similar finding was reported in the prior year.

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 certain unusual balances.

During the year ended June 30, 2023, DSHA's ERP system loan servicing module was updated. This update unexpectedly changed certain functionality and, as a result, certain General Fund accruals during the year ended June 30, 2024, were not properly reversed during the monthly reconciliation process.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2024

II. FINANCIAL STATEMENT FINDINGS - CONTINUED

Reference Number: 2024-001 - Continued

Cause - Continued: During the year ended June 30, 2024, DSHA corrected the Federal Program loan receivables balances for a loan that was incorrectly expensed as a grant in the prior year but did not correct the effect that the error had the beginning fund balances.

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

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.

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, 2024

II. FINANCIAL STATEMENT FINDINGS - CONTINUED

Reference Number: 2024-002

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) for the year ended June 30, 2023, we found material adjustments needed to the financial data schedule to present it without material misstatement in relation to the audited basic financial statements taken as a whole.

A similar finding was reported in the prior year.

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, 2024

III. FEDERAL AWARD FINDINGS

United States Department of the Treasury

Reference Number: 2024-003

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 15 cases processed during the year ended June 30, 2024, revealed the following:

- One case where applicant income was calculated incorrectly; however, the income determination did not impact the amount of assistance allowed by DSHA's policy.
- Utility assistance was paid for two cases totaling \$8,352.82 under the assumption that utility cost was \$500 per month. Supporting utility bills, invoices, or statements were obtained to support the payment amount; however, support was not obtained to determine the actual number of months of utility assistance provided.

In January 2023, DHSA began paying utilities using \$500 per month to calculate the number of months of utility assistance provided. This policy change was not included in policy documents and DSHA did not have evidence of appropriate internal approval for the policy change. Payments of \$500 per month, up to the amount owed by applicants, were disbursed without determining the number of months of utility assistance provided.

A similar income determination finding was noted during the audit of the year ended June 30, 2023. Refer to Finding 2023-004.

Context: During the year ended June 30, 2024, DSHA approved and disbursed assistance for 80 rent assistance cases totaling \$349,447 and 72 utility assistance cases totaling \$114,905.

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

- United States Department of the Treasury Program FAQs updated May 10, 2023:
 - ERA 2 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).

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2024

III. FEDERAL AWARD FINDINGS - CONTINUED

Reference Number: 2024-003 - 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.
- United States Department of the Treasury Program FAQs updated May 10, 2023, requires utility assistance payments to "...be supported by a bill, invoice or evidence of payment..." (FAQ # 6). The program requirements (FAQ #s 10 & 11) limit utility assistance to 18 months. While the program allows for estimated payments in certain circumstances (FAQ # 38), the program requires excess assistance to be recovered or paid by the disbursing agency from non-federal sources if the recipient is found to be ineligible or the assistance in excess of program requirements.

Questioned Costs: None

Effect: Internal controls were not operating effectively during the period. Additionally, a change to the utility assistance controls reduced their effectiveness.

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

On January 1, 2023, DSHA implemented a program design change to allow up to \$500 a month in utility assistance. This threshold was used to calculate the number of months of assistance being provided instead of using the actual utility costs for 18 months.

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, 2024

III. FEDERAL AWARD FINDINGS - CONTINUED

United States Department of the Treasury

Reference Number: 2024-004

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 two ERA 2 quarterly reports:

1. DSHA procedures over the reporting did not include the documentation of the preparation and review of quarterly reports selected for testing.
2. Audit testing of a statistical sample of 15 cases processed during the year ended June 30, 2024, revealed an income calculation on a case which resulted in the incorrect calculation of Area Median Income (AMI) percentage. The AMI percentages calculated at the case level are utilized to support required demographic reporting.
3. Supporting documentation was not retained for information on the reports selected for testing.
4. A review of the reports selected for testing revealed the following:
 - a. The demographic information section of the ERA 2 report for the quarter ended December 30, 2023, was not completed.
 - b. Evidence could not be provided showing how administrative and housing stability service amounts expended and obligated were calculated.

A similar finding was noted during the audit of the year ended June 30, 2023. Refer to finding 2023-005.

Criteria: United States Department of the Treasury ERA Program Reporting Guidance version 3.2 was issued March 29, 2022, provides detailed reporting requirements.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2024

III. FEDERAL AWARD FINDINGS - CONTINUED

Reference Number: 2024-004 - Continued

Criteria - Continued:

2 CFR § 200.303 requires the implementation of effective internal controls:

“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

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

Cause: Internal controls over reporting were not appropriately designed, implemented, or operated. DSHA’s internal controls over the reporting process did not ensure information required information was captured.

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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2024

III. FEDERAL AWARD FINDINGS - CONTINUED

United States Department of the Treasury

Reference Number: 2024-005

Program: 21.026 COVID-19 Homeowner Assistance Fund Program

Federal Award Number: HAF0034

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

Compliance Requirement: Allowable Cost

Condition: Reconciliation of the HAF client assistance expenditures for the year ended June 30, 2023, revealed approximately \$290,000 of federal funds were held by a vendor contracted to process and disburse client assistance and were reported as federal expenditures. This amount had increased to \$433,522 by October 26, 2023. The funds were offset against assistance payments processed by the vendor on November 14, 2023. During the operation of the program, the vendor received refunds of client assistance that were not timely remitted to DSHA or utilized to fund assistance.

A similar finding was noted during the audit of the year ended June 30, 2023. Refer to finding 2023-006.

Criteria: The Uniform Guidance Cost Principles requires DSHA to offset credits against program expenditures in 2 CFR 200.406(a):

Applicable credits refer to those receipts or reduction-of-expenditure-type transactions that offset or reduce expense items allocable to the Federal award as direct or indirect (F&A) costs. Examples of such transactions are purchase discounts, rebates or allowances, recoveries or indemnities on losses, insurance refunds or rebates, and adjustments of overpayments or erroneous charges. To the extent that such credits accruing to or received by the non-Federal entity relate to allowable costs, they must be credited to the Federal award either as a cost reduction or cash refund, as appropriate.

Questioned Costs: \$433,522

Effect: The funds held by the vendor were initially recorded as program costs.

Cause: DSHA was notified, by the vendor, that a credit was available to be applied to fund future assistance. The vendor did not apply the credit without DSHA's explicit approval, which was not granted until November 14, 2023.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2024

III. FEDERAL AWARD FINDINGS - CONTINUED

Reference Number: 2024-005 - Continued

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, 2024

III. FEDERAL AWARD FINDINGS - CONTINUED

United States Department of the Treasury

Reference Number: 2024-006

Program: 21.026 COVID-19 Homeowner Assistance Fund Program

Federal Award Number: HAF0034

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

Compliance Requirement: Eligibility; Earmarking; Reporting

Condition: Audit control and compliance testing of a statistical sample of 40 cases processed during the year ended June 30, 2024, revealed the following:

- Applicant income was calculated incorrectly for four cases sampled, that resulted in these applicants receiving more months of Future Payment Assistance than allowed by DSHA's policy, resulting in overpayments totaling \$21,062.
- Applicant income was calculated incorrectly for 11 cases sampled, which did not result in these applicants receiving more assistance than allowed by DSHA's policy. One of these applicants received fewer months of Future Payment Assistance than allowed by DSHA's policy.

Compliance testing performed on a separate sample of 33 cases revealed applicant income was calculated incorrectly for two cases sampled. These two applicants received more months of Future Payment Assistance than allowed by DSHA's policy resulting in overpayments totaling \$9,397.

Analysis of assistance for the period of July 1, 2023, through June 30, 2024, identified two homeowners that received in excess of \$50,000 of mortgage assistance resulting in overpayments of assistance totaling \$863.

A similar finding was noted during the audit of the year ended June 30, 2023. Refer to finding 2023-008.

Context: BLS applied DSHA's written policies and reviewed forms used in application processing. The homeowner income verification process supports the following program functions:

- Determination of allowable homeowner eligibility for assistance.

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2024

III. FEDERAL AWARD FINDINGS - CONTINUED

Reference Number: 2024-006 - Continued

Context: Continued

- Determination of allowable Future Payment Assistance (starting in November 2022).
- Required reporting of assistance by income level.
- Compliance with the HAF Program Earmarking requirements.

Criteria:

Eligibility Criteria - DSHA submitted a HAF Grantee Plan to U.S. Department of the Treasury on May 31, 2022. DSHA's HAF Grantee Plan specifies the following process for the determination of homeowner income:

DSHA intends to accept written attestations from DE-HAF applicants to ascertain eligibility for the programs (100% of AMI or 150% of AMI depending on the program). DSHA does not anticipate allowing the use of geographic area or other criteria not linked directly to the homeowner's individual determinants. In addition, while eligibility will be determined with a pass/fail income threshold, later in the application review process a more specific income verification process will be required to establish the amount of monthly mortgage obligation that will be affordable to the homeowner. This income verification process will need to rely on substantiated documentation.

This process is consistent with United States Department of the Treasury Homeowner Assistance Fund Guidance issued on June 12, 2023.

DSHA's HAF program began to provide Future Payment Assistance on November 13, 2022, as follows:

- *Applicants between 31.01% - 50% HDTI can be eligible for 'Reinstatement' plus up to 3 months of mortgage payments.*
- *Applicants with 'No Income' or a HDTI 50.01% and above can be eligible for 'Reinstatement' plus up to 6 months of mortgage payments. **
**If in addition to the assistance, applicants will be referred to a HUD-approved Housing Counseling Agency to assist with an action plan beyond the assistance.*

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2024

III. FEDERAL AWARD FINDINGS - CONTINUED

Reference Number: 2024-006 - Continued

Criteria - Continued:

Earmarking Criteria - The United States Department of the Treasury Homeowner Assistance Fund Guidance issued on June 12, 2023, requires that at least 60% of amounts, made available to each HAF participant, be used for qualified expenses that assist homeowners having incomes equal to, or less than, 100% of the area median income, or equal to or less than 100% of the median income for the United States, whichever is greater. Any amount not made available to homeowners that meet this income-targeting requirement must be prioritized for assistance to socially disadvantaged individuals, with funds remaining after such prioritization being made available for other eligible homeowners.

Reporting Criteria - Homeowner Assistance Fund quarterly reporting requires the submission of Application Data disaggregated by Area Median Income.

Maximum Allowed Assistance - DSHA's program design limited assistance to \$50,000 during the year end June 30, 2024.

Questioned Costs: \$31,322 of overpayments.

Effect: Federal program assistance was overpaid. Applicant income determined by assistance calculation process was used for compliance with earmarking requirements and to support required reporting by applicant income level resulting in potential errors in program reports submitted to the U.S. Treasury.

Cause: Homeowner assistance application processing did not correctly determine verified homeowner income.

Recommendation: We recommend DSHA enhance its policies and procedures for processing HAF assistance applications to ensure accurate calculation of verified homeowner income.

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, 2024

III. FEDERAL AWARD FINDINGS - CONTINUED

United States Department of the Treasury

Reference Number: 2024-007

Program: 21.026 COVID-19 Homeowner Assistance Fund Program

Federal Award Number: HAF0034

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

Compliance Requirement: Reporting

Condition: Testing of DSHA's December 31, 2023, and June 30, 2024 HAF quarterly reports revealed the reports submitted by DSHA reported the same amounts as expended and obligated, for Administrative Expenses and Services, and Counseling & Education. During the year ended June 30, 2024, DSHA entered various contracts for the operation of the program.

DSHA's Annual Report had an extended due date of November 23, 2023, but was not filed until November 29, 2023. Evidence of an additional extension could not be provided.

A similar finding was noted during the audit of the year ended June 30, 2023. Refer to finding 2023-009.

Criteria: The United States Department of the Treasury Homeowner Assistance Fund Guidance on Participant Compliance and Reporting Responsibilities includes the following definitions:

- *Expenditure/Expended means any HAF assistance that has been spent by a HAF participant and/or Subrecipient. Please note, cumulative Expenditures cannot exceed cumulative Obligations.*
- *Obligation/Obligated means an order placed for property and services, contracts and subawards made, and similar transactions that require payment (see 2 CFR § 200.1.). Obligated funds include funds that have been Expended.*
 - *Examples of obligated funds include: HAF funds that have been committed, pledged, or otherwise promised, in writing, to a specific individual or entity as part of a HAF program; HAF funds that have been set aside to cover obligations arising from loan guarantees; HAF funds that have been committed, pledged, or otherwise promised, in writing, as part of a transaction; and HAF funds that have been committed, pledged, or promised, in writing, for allowable administrative expenses (e.g., an executed contract for services).*

DELAWARE STATE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2024

III. FEDERAL AWARD FINDINGS - CONTINUED

Reference Number: 2024-007 - Continued

Criteria - Continued

The Homeowner Assistance Fund: Annual Report User Guide Issued October 14, 2022 (Updated October 13, 2023), requires the reporting of outcomes for assistance provided to Homeowners by Area Median Income and Socially Disadvantaged Individuals.

Questioned Costs: None

Effect: Reports required by the U.S. Treasury were not supported by contemporaneously prepared supporting documentation. Reports submitted to the U.S. Treasury did not include accurate reporting of program obligations. Reports required by the U.S. Treasury were not submitted timely.

Cause: The report preparation process did not consider executed contracts and agreements to be obligations.

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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
JUNE 30, 2024

III. FEDERAL AWARD FINDINGS - CONTINUED

United States Department of the Treasury

Reference Number: 2024-008

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: Allowable Cost/Eligibility

Condition: DSHA's ERA program included various steps to monitor program disbursements for potential fraud. These monitoring processes were performed during the assistance determination process and by after-the-fact analysis and reviews. DSHA's after-the-fact processes identified 17 households that potentially received \$168,055 in fraudulent assistance during the program's operation. As of June 30, 2024, the uncollected balance was \$82,709. DSHA identified this potentially fraudulent assistance and recovered a portion but did not further pursue resolution of the matter.

Criteria: The Emergency Rental Assistance program FAQ specifically requires DSHA "...to investigate and address potential instances of fraud or the misuse of funds that they become aware of."

Questioned Costs: \$82,709

Effect: Assistance was potentially provided to ineligible applicants due to fraudulent submissions.

Cause: Internal controls over eligibility were not able to prevent or detect and correct potentially fraudulent behavior by applicants.

Recommendation: We recommend DSHA further investigate, and report fraud or potential fraud as required by the CFR and program guidelines.

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, 2024

Financial Statement Finding 2024-001 - 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 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 2025 Fiscal Year and will remain in effect going forward.

Responsible Official: Kiersten Wilson, Director of Financial Management

Financial Statement Finding 2024-002 – Financial Reporting – Federal Data Submission
Corrective Action Plan:

We have engaged an outside accounting firm that specializes in HUD reporting to assist with the FY24 Audited submission. Additionally, DSHA is continually updating and maintaining its report structures to properly prepare the report. Lastly, the outside accounting firm will also explain the reporting process to the staff member that handles the FDS reporting to HUD REAC.

Responsible Official: Kiersten Wilson, Director of Financial Management

Financial Statement Finding 2024-03 – Emergency Rental Assistance - Noncompliance; Significant Deficiency in Internal Controls over Compliance – Eligibility

Corrective Action Plan:

DSHA has expanded the use of the program policy and procedure change log to include this program.

Responsible Official: Brian Rossello, Director of Housing Finance

Completion Date: 7/1/2025

Federal Awards Finding 2024-004 - Emergency Rental Assistance - Noncompliance; Significant Deficiency in Internal Controls over Compliance – Reporting; Special Tests and Provisions

Corrective Action Plan:

DSHA will implement a policy and procedure requiring the retention of reporting backup data to be retained with the submitted report. Additionally, DSHA will require that the review of the submitted report be documented and that any identified report discrepancies be noted and retained with the submitted report.

Responsible Official: Brian Rossello, Director of Housing Finance

Completion Date: 7/1/2025

Federal Awards Finding 2024-005 – Homeowner Assistance Fund Program - Noncompliance; Significant Deficiency in Internal Controls over Compliance – Allowable Cost

Corrective Action Plan:

DSHA has implemented the process of requiring the reduction of applicable credits to be applied to all future payment batches and be utilized to fund assistance. This as a result, will eliminate the funds being held by the vendor and remove the need to report as a federal expenditure. The responsibility for implementing this corrective action lies with the following DSHA staff: HAF Program Manager, Director of Housing Finance, Financial Accounting & Reporting Section Manager, and the Director of Financial Management. They will oversee the necessary adjustments to the process and ensure that future payment batches adhere to the revised guidelines.

Responsible Official: Brian Rossello, Director of Housing Finance

Completion Date: 7/1/2025

Federal Awards Finding 2024-006 – Homeowner Assistance Fund Program - Noncompliance; Significant Deficiency in Internal Controls over Compliance – Eligibility; Earmarking; Reporting

Corrective Action Plan:

The program has corrected the calculation error in its income calculations form. Additionally, increased weekly training and case review have been implemented to detect and prevent such errors.

Responsible Official: Brian Rossello, Director of Housing Finance

Completion Date: 7/1/2025

**Federal Awards Finding 2024-007 – Homeowner Assistance Fund Program - Noncompliance;
Significant Deficiency in Internal Controls over Compliance – Reporting**

Corrective Action Plan:

DSHA will implement a policy and procedure requiring the retention of reporting backup data to be retained with the submitted report. Additionally, DSHA will require that the review of the submitted report be documented and that any identified report discrepancies be noted and retained with the submitted report.

Responsible Official: Brian Rossello, Director of Housing Finance

Completion Date: 7/1/2025

**Federal Awards Finding 2024-008 – Emergency Rental Assistance- Noncompliance; Significant
Deficiency in Internal Controls over Compliance – Allowable Cost/Eligibility**

Corrective Action Plan:

DSHA will update its policy and procedure to require the documentation of the discontinuation of potential fraudulent assistance recovery efforts.

Responsible Official: Brian Rossello, Director of Housing Finance

Completion Date: 7/1/2025

DELAWARE STATE HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2024

I. FINANCIAL STATEMENT FINDINGS

Reference Number: 2023-001

Type of Finding: Significant Deficiency

Department of Finance - Financial Reporting Close Process

Condition: We found seven misstatements of the financial statement balances requiring material adjusting journal entries. Adjustments were made to the Housing Development Fund and Federal Programs Enterprise Fund. 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 six material adjusting journal entries are decreased assets \$44,302,022, decreased liabilities \$43,424,899, decreased revenue \$1,075,266, and decreased expenses \$198,143. These entries were to remove unearned receivables and the related unearned revenue, to correct errors that arose from implementing a new loan service module, to establish loan loss allowances, to adjust interest forgiveness due to loan modifications, and to adjust Federal Programs Enterprise Fund revenue and related unearned revenue to actual and to correctly report federal revenue and deferred revenue.

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.

Current Status: A similar condition was noted during the June 30, 2024 audit. See finding 2024-001.

Reference Number: 2023-002

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) for the year ended June 30, 2022, we found material adjustments needed to the financial data schedule to present it without material misstatement in relation to the audited basic financial statements taken as a whole.

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

DELAWARE STATE HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
JUNE 30, 2024

I. FINANCIAL STATEMENT FINDINGS - CONTINUED

Reference Number: 2023-002 - Continued

Current Status: A similar condition was noted during the June 30, 2024 audit. See finding 2024-002.

Reference Number: 2023-003

Type of Finding: Significant Deficiency

Internal Control Over Compliance - United States Emergency Rental Assistance Program

Condition: During audit testing of the ERA program, we found two assistance processing errors resulting in overpayments of \$7,090 in a sample of 40 assistance applications totaling \$198,909. We found two applicants that received assistance in excess of the maximum allowed by the ERA federal regulations.

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

Current Status: This finding has been addressed.

DELAWARE STATE HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
JUNE 30, 2024

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

United States Department of the Treasury

Reference Number: 2023-004

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 year ended June 30, 2023, revealed the following:

- Two cases where the applicant received assistance in excess of the allowable maximum assistance, resulting in overpayments totaling \$7,090.
- Four cases (including the two referenced previously) where ERA 1 was charged more than the allowable maximum assistance. The overpayments resulted from errors in applying statutorily established limits for rental assistance. These overpayments were subsequently moved to ERA 2 as described in the *Context* section.

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, 2024 audit as detailed in finding 2024-003.

DELAWARE STATE HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
JUNE 30, 2024

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - CONTINUED

United States Department of the Treasury

Reference Number: 2023-005

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 one ERA 1 quarterly report and two ERA 2 quarterly reports:

1. DSHA procedures over the reporting did not include the documentation of the preparation and review of quarterly reports selected for testing.
2. The following reports required by the U.S. Treasury were either not submitted timely, or evidence of their submission date was not available:

Grant	Reporting Quarter	Due Date	Date Submitted
ERA 1	Friday, September 30, 2022	Wednesday, November 16, 2022	Not Documented
ERA 2	Friday, September 30, 2022	Friday, December 16, 2022	Not Documented
ERA 2	Friday, March 31, 2023	Wednesday, May 17, 2023	Wednesday, May 24, 2023

3. Audit testing of a statistical sample of 40 cases processed during the year ended June 30, 2023, revealed that Area Median Income (AMI) percentage was not calculated correctly for two cases. The AMI percentages calculated at the case level are utilized to support required demographic reporting.
4. Supporting documentation was not retained for information on the reports selected for testing. A review of the reports selected for testing revealed the following:
 - a. The demographic information section of the ERA 2 report for the quarter ended March 31, 2023, was not completed.
 - b. The ERA 2 report for the quarter ended September 30, 2022, reported administrative expenditures as \$7,770,634 which was the amount of ERA award funds approved for participant households. Audit procedures determined that administrative expenditures for the quarter ended September 30, 2022, were approximately \$123,000.

DELAWARE STATE HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
JUNE 30, 2024

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - CONTINUED

Reference Number: 2023-005 - Continued

Condition - Continued:

- c. The ERA 1 and ERA 2 reports for the quarter ended September 30, 2022, report the same amounts expended and obligated, except for the input error noted above.

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

Current Status: A similar condition was noted during the June 30, 2024 audit as detailed in finding 2024-004.

United States Department of the Treasury

Reference Number: 2023-006

Program: 21.026 COVID-19 Homeowner Assistance Fund Program

Federal Award Number: HAF0034

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

Compliance Requirement: Allowable Cost

Condition: Reconciliation of the HAF client assistance expenditures for the year ended June 30, 2023, revealed approximately \$290,000 of federal funds were held by a vendor contracted to process and disburse client assistance and were reported as federal expenditures. During the operation of the program, the vendor received refunds of client assistance that were not timely remitted to DSHA or utilized to fund assistance.

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

Current Status: A similar condition was noted during the June 30, 2024 audit as detailed in finding 2024-005.

DELAWARE STATE HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
JUNE 30, 2024

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - CONTINUED

United States Department of the Treasury

Reference Number: 2023-007

Program: 21.026 COVID-19 Homeowner Assistance Fund Program

Federal Award Number: HAF0034

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

Compliance Requirement: Cash Management; Program Income

Condition: During audit testing of the HAF program, we found the following instances of non-compliance.

- HAF funding received in June 2022 totaling \$45 million was deposited into a non-interest-bearing demand account. In March 2023, \$21 million was moved to an interest-bearing savings account.
- Fiscal year 2023 interest earnings of \$88,777 on the HAF funds held by DSHA were recognized as program income.
- Interest earnings in excess of \$500 were not annually remitted to the Department of Health and Human Services Payment Management System.

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

Current Status: No similar condition noted during the June 30, 2024 audit.

DELAWARE STATE HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
JUNE 30, 2024

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - CONTINUED

United States Department of the Treasury

Reference Number: 2023-008

Program: 21.026 COVID-19 Homeowner Assistance Fund Program

Federal Award Number: HAF0034

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

Compliance Requirement: Eligibility; Earmarking; Reporting

Condition: Audit testing of a statistical sample of 41 cases processed during the year ended June 30, 2023, revealed the following:

- Applicant income was calculated incorrectly for five cases sampled. Of these five cases, two applicants received more months of Future Payment Assistance than allowed by DSHA's policy, resulting in overpayments totaling \$9,799.
- One applicant received \$51,341 in assistance, an overpayment of \$1,341.

Analysis of assistance for the period of July 1, 2022 through November 12, 2022, identified two homeowners that received in excess of \$30,000 of mortgage assistance resulting in overpayments of assistance totaling \$3,136.

Recommendation: We recommend DSHA enhance its policies and procedures for processing HAF assistance applications to ensure accurate calculation of verified homeowner income.

Current Status: A similar condition was noted during the June 30, 2024 audit as detailed in finding 2024-006.

DELAWARE STATE HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
JUNE 30, 2024

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - CONTINUED

United States Department of the Treasury

Reference Number: 2023-009

Program: 21.026 COVID-19 Homeowner Assistance Fund Program

Federal Award Number: HAF0034

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

Compliance Requirement: Reporting

Condition: Testing of DSHA's December 31, 2022, and June 30, 2023 HAF quarterly reports revealed the reports submitted by DSHA reported the same amounts as expended and obligated, for Administrative Expenses and Services, and Counseling & Education. During the year ended June 30, 2023, DSHA entered various contracts for the operation of the program.

DSHA's Annual Reporting did not include data on Socially Disadvantaged Individuals assisted and Area Median Income of households assisted as required by the Program reporting requirements.

DSHA did not maintain contemporaneously prepared supporting documentation for the December 31, 2022, and June 30, 2023 quarterly reports or the June 30, 2023 annual report.

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

Current Status: A similar condition was noted during the June 30, 2024 audit as detailed in finding 2024-007.

DELAWARE STATE HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED
JUNE 30, 2024

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS - CONTINUED

Department of Housing and Urban Development

Reference Number: 2023-010

Program: 14.881 Moving to Work Demonstration Program

Federal Award Number: None assigned

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

Compliance Requirement: Special Tests and Provisions

Condition: In a statistical sample of 40 housing units, documentation evidencing the performance of required periodic inspections to determine compliance with Housing Quality Standards was not available for seven units. The sample of 40 housing units was from five public housing sites. The seven units without the required periodic inspections were located at two of those five public housing sites.

DSHA has not implemented controls to monitor the performance of the required periodic inspections.

Recommendation: We recommend DSHA implement controls to monitor and verify required periodic inspections are performed timely.

Current Status: No similar condition noted during the June 30, 2024 audit.