



Berkeley Housing Authority

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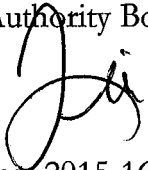
Office of the Executive Director

Item 6B

NEW BUSINESS

January 14, 2016

To: Honorable Chairperson and
Members of the Berkeley Housing Authority Board

From: Tia M. Ingram, Executive Director 

Subject: Contract for Audit Services Fiscal Year 2015-16

RECOMMENDATION

Approve a contract with Cropper Rowe, LLP to perform the independent audit for Fiscal Year 2015-16.

DISCUSSION

Every Public Housing Authority is required by the US Department of Housing and Urban Development (HUD) to have an annual audit of its comprehensive annual financial reports.

In February 2013 BHA conducted a comprehensive Request for Proposals to solicit an Independent Public Auditor to provide Single Audit Service for the Fiscal Years ending June 30, 2013 and June 30, 2014, with an option to renew for another year. We anticipated additional challenges with these audits – as they would involve the disposition of the 61 units in our Low Income Public Housing Program, and the 14 units of Rental Housing Construction Program. A total of six firms responded to the invitation. Wallace Rowe & Associates was rated the highest proposer, and was awarded the contract. With each new challenge there was initially *concern*, followed by *relief* with the approach taken by Mr. Rowe to work through each challenge, and the technical assistance he provided.

When work began on the FY 14-15 audit (around September 2015) Mr. Rowe advised of his intent to cease operating as a single proprietor (December 31, 2015), and establish a partnership with John Cropper, Cropper Rowe, LLP, effective January 1, 2016.

Mr. Rowe worked closely with BHA Finance Manager Yturralde, and the audit was completed in mid-November (well ahead of the March 2016 Deadline). However, the audit remains incomplete because we cannot submit the required data to HUD via the REAC system, currently not functioning, preventing BHA (and other PHAs with a June 30th Fiscal Year) from submitting the report. BHA Finance Manager and Mr. Rowe have worked tirelessly with HUD staffers to address this situation – and allow for completion of the audit. Below are two

relevant excerpts from emails (November 2015) exchanged with the Assessment Manager/REAC/FASS-PHA:

- *The issue needs a code change in the FASS system and until now I have no time frame from our IT guy. Thank you for your patience. Just to give an idea, I've one similar issue whose submission is sitting for more than a year now.*
- *I had our IT looked at your issue and it needed a code change. As a result, it may take a long time for you to be able to submit the Audited data.*
- *The agency will not receive an LPF (Late Presumptive Failure) even it can't submit the Audited on time because of REAC IT issue.*

STATUS

The FY 2014-15 audit is complete, pending submission to HUD via the REAC system. There is no projected date for HUD's correction of the problem; it could be upwards of a year. In the meantime, Wallace Rowe LLP has ceased to conduct business, and cannot complete this audit when the HUD system is available. BHA has been well served by Mr. Rowe. We, like Mr. Rowe, regret the circumstances that HUD is not able to correct the problem(s) with REAC in a timely manner, or even to project a reasonable date for completion.

BHA has the option of (1) requiring that Wallace Rowe & Associates complete the audit (firm would incur additional expense related solely to the need to complete BHA's audit); or (2) allowing Cropper Rowe, LLP to complete the audit (effectively allowing Mr. Rowe to complete the audit); or (c) hiring another firm to perform the audit which would require considerable additional work by staff, potentially additional cost, and possible litigation.

Staff recommends executing a new contract with Cropper Rowe, LLP to (1) complete the FY 2014-15 audit, and perform the FY 2015-16 audit. The fee for the FY 14-15 audit will remain unchanged, and the \$20,900 proposed for the FY 15-16 audit is reasonable, a slight 10% increase from the amount proposed during the 2013 Request for Proposals process.

FINANCIAL IMPLICATIONS OF ACTION

\$20,900 for FY 2015-16 audit; no additional cost for the FY2014-15 audit.

CONTACT PERSON

Tia Ingram, Executive Director, Berkeley Housing Authority, 981-5471
Jesy Yturralde, Finance Manager, 981-5488

Attachment:

1. Resolution

BERKELEY HOUSING AUTHORITY
RESOLUTION 16-

AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE A ONE-YEAR CONTRACT WITH CROPPER ROWE, LLP AS THE INDEPENDENT PUBLIC AUDITOR FOR SINGLE AUDIT FOR FISCAL YEAR ENDING JUNE 30, 2016

WHEREAS, the Berkeley Housing Authority is required by the US Department of Housing and Urban Development (HUD) to have an annual audit of its comprehensive annual financial reports; and

WHEREAS, Wallace Rowe and Associates LLP was selected as BHA's Independent Audit for Fiscal Years 2013 and 2014 with a one year extension option, following a formal solicitation in February 2013; and

WHEREAS, Mr. Rowe was masterful in completing the audits for FYs ending June 30, 2013, and June 30, 2014, a period with extraordinary financial entries necessitated by BHA's multi-unit, multi-agency, disposition project; and

WHEREAS, Wallace Rowe and Associates completed all the work required for FY 2015 audit in November 2015, but was not able to perform the final step of certifying data via HUD's only REAC system; and

WHEREAS, Wallace Rowe and Associated ceased operations effective December 31, 2015; and

WHEREAS, effective January 1, 2016, Wallace Rowe is a principal of Cropper Rowe, LLP; and

WHEREAS, Cropper Rowe, LLP can complete the FY 2015 audit without the need to duplicate the work previously performed by Wallace Rowe and Associates; and

WHEREAS, BHA has reached agreement with Cropper Rowe, LLP to complete the FY 2015 audit at no additional cost, and to perform the FY 2015-16 audit at a cost of \$20,900.

NOW, THEREFORE BE IT RESOLVED that the Executive Director is authorized to execute a one-year contract with Cropper Rowe, LLP to provide the Berkeley Housing Authority with Single Audit Services as Independent Public Auditor for FY 2014-2015, for the same \$18,900 previously obligated to Wallace Rowe and Associates, and the FY 2015-16 single audit for \$20,900.

The foregoing Resolution was adopted by the Board of the Berkeley Housing Authority on January 14, 2016 by the following vote:

Ayes:

Noes:

Abstain:

Absent:

Attest:

Tia M. Ingram, Secretary

