

# **Desert Hot Springs Housing Authority**

Desert Hot Springs, California

## **Compliance as the Housing Successor and Independent Auditors' Report**

*For the Year Ended June 30, 2021*



# Desert Hot Springs Housing Authority

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**REPORT ON COMPLIANCE AS THE HOUSING SUCCESSOR; REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXCESS SURPLUS**

**Independent Auditors' Report**

To the Board of Directors  
of the Desert Hot Springs Housing Authority  
Desert Hot Springs, California

**Report on Compliance as the Housing Successor**

We have audited the Desert Hot Springs Housing Authority's (the "Housing Authority"), a component unit of the City of Desert Hot Springs (the "City"), compliance as the housing successor of the former Redevelopment Agency of the City of Desert Hot Springs with the type of compliance requirements described in the California Health and Safety Code Sections 34176 and 34176.1 applicable to the Redevelopment Agency's housing successor for the year ended June 30, 2021.

***Management's Responsibility***

Compliance with the requirements referred to above is the responsibility of the Housing Authority's management.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the Housing Authority's compliance as housing successor based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in the *Government Auditing Statements*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the Housing Authority occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of the Housing Authority's compliance with those requirements.

***Opinion***

In our opinion, the Housing Authority complied, in all material respects, with the compliance requirements referred to above that are applicable to the housing successor for the year ended June 30, 2021.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the California Health and Safety Code Sections 34176 and 34176.1 applicable to the Redevelopment Agency's housing successor and which are described in the accompanying schedule of findings and responses as item 2021-001. Our opinion on the Housing Authority's compliance as housing successor is not modified with respect to these matters.

The Housing Authority's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and responses. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

Management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Housing Authority's internal control over compliance to determine the auditing procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness* in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and responses as item 2020-001, that we consider to be significant deficiencies.

The Housing Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of California Health and Safety Code Sections 34176 and 34176.1 applicable to the Redevelopment Agency's housing successor. Accordingly, this report is not suitable for any other purpose.

To the Board of Directors  
of the Desert Hot Springs Housing Authority  
Desert Hot Springs, California  
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**Report on the Schedule of Excess Surplus**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Desert Hot Springs as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 24, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying the Schedule of Excess Surplus is presented for purposes of additional analysis 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 other 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 Excess Surplus is fairly stated in all material respects in relation to the basic financial statements as a whole.

*The PwC Group, LLP*

Santa Ana, California  
November 24, 2021

**Desert Hot Springs Housing Authority**  
**Schedule of Excess Surplus**  
**For the Year Ended June 30, 2021**

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	<b>Low and Moderate Housing Funds July 1, 2020</b>		
Opening Fund Balance	\$	3,878,480	
Less: notes receivables		(3,389,172)	
Less: land held for resale		(85,090)	
Available Housing Funds		404,218	
Limitation (greater of \$1,000,000 or four years deposits)			
Aggregate amount deposited for last four years:			
2019-2020		381,574	
2018-2019		58,299	
2017-2018		21,495	
2016-2017		58	
<b>Total</b>	<b>\$</b>	<b>461,426</b>	
Greater amount		1,000,000	
<b>Computed Excess Surplus</b>	<b>\$</b>	<b>(595,782)</b>	

**Desert Hot Springs Housing Authority**  
**Schedule of Findings and Responses**  
**For the Year Ended June 30, 2021**

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**Finding 2020-001 – Internal Control Over Compliance and Compliance with Reporting Requirement**

**Criteria:**

Each jurisdiction is required to create an annual report on the status and progress in implementing the housing element of its general plan using forms and definitions adopted by the California Department of Housing and Community Development (“HCD”). The report must be submitted to HCD and the Governor’s Office of Planning and Research on or before April 1 of each year.

**Condition:**

During our audit we noted the annual housing element progress report was submitted for calendar year 2020 was submitted to HCD on May 4, 2021, which is after the due date of April 1, 2021.

**Cause:**

The Housing Authority was still in the process of getting the reporting submission on track after bringing in more staff during fiscal year June 30, 2021.

**Effect or Potential Effect:**

Late submission of the annual housing element progress report to HCD.

**Recommendation:**

We recommended the Housing Authority develop policies and procedures to ensure timely submission of the annual housing element progress report to HCD.

**View of Responsible Officials:**

There were key staffing changes during the time of the preparation of the annual housing element progress report to the effect that the report was submitted late for 2021. The City has implemented a policy that includes assigning to staff members the responsibility of completing and submitting the report, one as the main person and one as an alternate. The City also included this report as an automatic agenda item for the City Council meetings in March of every year. A reminder will be sent to the responsible staff members starting in November with monthly updates on the reports progress to the City Manager so that the report is ready to be brought before the City Council on the first meeting of March.