

TACOMA COMMUNITY REDEVELOPMENT AUTHORITY

Meeting Agenda

January 28, 2021
Zoom Virtual Meeting- Call in and link information provided

Meeting No. 705

7:30 A.M. ROLL CALL

CALL TO ORDER

THE FOLLOWING ITEMS ARE PRESENTED FOR BOARD REVIEW AND DISCUSSION:

CONSENT AGENDA

1. TCRA Meeting Minutes for January 14, 2021 Exhibit 1
2. December 2020 Check Register Exhibit 2

ADMINISTRATIVE

3. 2019 Audit Results – Office of the Washington State Auditor Exhibit 3

The Office of the Washington State Auditor will share the results of the TCRA audit.

HOUSING

4. Acquisition Update – Felicia Medlen Exhibit 4

Staff will provide an update on the Conifer South Acquisition Project, request approval of loan terms, and authorization for the TCRA Administrator to execute the loan document and related security documents.

FOR THE GOOD OF THE ORDER

ADJOURN



MINUTES
Meeting No. 704

January 14, 2021
Virtual Zoom Meeting Video and Call-information provided

Steve Snider called the meeting to order at 7:33 AM.

ROLL CALL

TCRA Members Present: Steve Snider, Ian Northrip, Kimber Starr, Dan Montopoli, Alex Hogan, and Lacey Barker

TCRA Members Absent: Jason Kors, Terri Scott, Tera Williams, Karsen Kever, and Meredith Neal

TCRA Staff in Attendance: Carrie Wickstrom, Felicia Medlen, Erika Bartlett, Megan Gustafson, Jason Mejia, Drena Sellars, and Heidi Burbidge

Guests in Attendance:

THE FOLLOWING ITEMS WERE PRESENTED FOR BOARD REVIEW AND DISCUSSION:

CONSENT AGENDA

1. TCRA Meeting Minutes for December 30, 2020

MOTION: Dan Montopoli moved to adopt the consent agenda. Alex Hogan seconded the motion, which passed unanimously.

HOUSING

2. Single Family Rehabilitation (SFR) Program Policies and Procedures – Carrie Wickstrom

Board action was requested on SFR Program Policies and Procedures, which have been updated to reflect the transition of program management from an external Operating Agency to City of Tacoma staff.

MOTION: Dan Montopoli moved to adopt a resolution authorizing the adoption of the City of Tacoma's Single Family Rehabilitation Program Policies and Procedures, updated January 2021. Kimber Starr seconded the motion, which passed unanimously.

FOR THE GOOD OF THE ORDER

- Felicia Medlen will bring an update to the Board during the January 28, 2021 meeting on Tacoma Housing Authority's potential acquisition of the Conifer South property, located at 5234 South Warner Street.
- Felicia Medlen announced that staff will be releasing the Notice of Funding Availability for Community Development Block Grants during the week of January 18, 2021, which will include around \$300,000 for infrastructure projects.

- Erika Bartlett reminded Board members whose terms were ending that the deadline to re-apply is January 21, 2021.

ABSENT MEMBERS WERE EXCUSED

MOTION: Ian Northrip moved to excuse Jason Kors, Terri Scott, Tera Williams, Karsen Keever, and Meredith Neal. Dan Montopoli seconded the motion, which passed unanimously.

ADJOURN

The meeting adjourned at 7:59 AM.

Respectfully Submitted,

Dan Montopoli

Tacoma Community Redevelopment Authority
Check Register
December 01-31, 2020

Check Numb	Program	Effective Date	Payee	Transaction Description	Check Amount
ACH860	10	12/3/2020	Tacoma News Inc	Advertising CAPER Legal Notice	151.07
ACH861	70	12/3/2020	STATE AUDITOR'S OFFICE	SAO-Auditor	771.34
ACH862	74	12/3/2020	STATE AUDITOR'S OFFICE	SAO-Auditor	771.34
ACH863	14	12/14/2020	Pacific Coast Renovations, LLC	Brenneman, Rayne - Loan Disbursements	39,564.00
ACH864	14	12/14/2020	Timber Coast Construction	Nocella, Eleanor - Loan Disbursements	10,127.10
ACH865	10	12/24/2020	CITY TREASURER	802 MLK Jr - Surface Water	56.80
ACH865	21	12/24/2020	CITY TREASURER	1214 MLK Jr. Way - Surface Water	26.01
ACH866	10	12/24/2020	EISENHOWER & CARLSON, PLLC	Legal Fees - Adams, Barbara	76.00
ACH866	10	12/24/2020	EISENHOWER & CARLSON, PLLC	Legal Fees - English, William	1,254.00
ACH866	10	12/24/2020	EISENHOWER & CARLSON, PLLC	Legal Fees - Enterprise contract, RTSS, loan app, denial	2,332.00
ACH866	10	12/24/2020	EISENHOWER & CARLSON, PLLC	Legal Fees - In Time Renovations LLC	1,026.00
ACH866	10	12/24/2020	EISENHOWER & CARLSON, PLLC	Legal Fees - Simith, Helen	76.00
ACH866	10	12/24/2020	EISENHOWER & CARLSON, PLLC	Legal Fees - Thomas, Marie	228.00
ACH866	10	12/24/2020	EISENHOWER & CARLSON, PLLC	Legal Fees - Enterprise contract, RTSS, loan app, denial	2,332.00
ACH867	10	12/24/2020	FISERV DIRECTSOURCE	Coupon Books - Nov	30.26
ACH867	10	12/24/2020	FISERV DIRECTSOURCE	Coupon Books - Oct	33.86
ACH868	80	12/31/2020	CITY OF LAKEWOOD	H4H 15116 Portland Ave SW -LKW AHF Reimb-07-09/20	186.03
ACH868	80	12/31/2020	CITY OF LAKEWOOD	H4H 15121 Boat St SW-LKW AFH Reimb-10-11/2020	2,378.84
ACH868	80	12/31/2020	CITY OF LAKEWOOD	Howard, Janell 4914 101 St SW-LKW Reimb-10-11/2020	222.79
ACH868	80	12/31/2020	CITY OF LAKEWOOD	Howard, Janell 4914 101 St. SW-LKW Reimb-01-09/2020	562.25
ACH868	80	12/31/2020	CITY OF LAKEWOOD	Martinez, Agustin 5206 Blvd SW-LKW Reimb-07-09/2020	613.52
ACH868	80	12/31/2020	CITY OF LAKEWOOD	Martinez, Agustin 5206 Blvd SW-LKW Reimb-10-11/2020	9,934.08
ACH869	60	12/31/2020	HOMEOWNERSHIP CENTER OF TACOMA	1637 S 35th St Asotin Dev - Developer Subsidy	73,409.00
ACH869	60	12/31/2020	HOMEOWNERSHIP CENTER OF TACOMA	3331 S Asotin-Asotin Dev - Developer Subsidy	186,144.00
ACH870	10	12/31/2020	PUGET SOUND TITLE & ESCROW	Casey, Jocelyn	175.00
ACH870	10	12/31/2020	PUGET SOUND TITLE & ESCROW	Escobar, Elizabeth & Isidro	175.00
ACH870	10	12/31/2020	PUGET SOUND TITLE & ESCROW	Massey, Kenneth	175.00
ACH870	14	12/31/2020	PUGET SOUND TITLE & ESCROW	Middlebrook, Rhonda - correction move fr prog 10	256.97
ACH870	14	12/31/2020	PUGET SOUND TITLE & ESCROW	Nocella, Eleanor - Reversal move fr prog 10	256.97
ACH870	14	12/31/2020	PUGET SOUND TITLE & ESCROW	Port, Veronica - Reversal move fr prog 10	256.97

ACH870	10	12/31/2020 PUGET SOUND TITLE & ESCROW	Sandoval, Laura	175.00
ACH870	10	12/31/2020 PUGET SOUND TITLE & ESCROW	Scott, Juanessa	175.00
ACH870	10	12/31/2020 PUGET SOUND TITLE & ESCROW	Smith, Ethel & Chapman, Henny	175.00
ACH870	14	12/31/2020 PUGET SOUND TITLE & ESCROW	Dickson, Cynthia	175.00
ACH870	14	12/31/2020 PUGET SOUND TITLE & ESCROW	Gaynor, Arlene	175.00
ACH870	14	12/31/2020 PUGET SOUND TITLE & ESCROW	Houk, Carol	175.00
ACH870	14	12/31/2020 PUGET SOUND TITLE & ESCROW	Jerman, Betty	175.00
ACH870	14	12/31/2020 PUGET SOUND TITLE & ESCROW	Stiefel, Kellie	175.00
ACH870	30	12/31/2020 PUGET SOUND TITLE & ESCROW	Goodale, Andrea	175.00
ACH870	30	12/31/2020 PUGET SOUND TITLE & ESCROW	Marquez, Melanie	175.00
ACH870	30	12/31/2020 PUGET SOUND TITLE & ESCROW	Perez, Juan	175.00
ACH870	30	12/31/2020 PUGET SOUND TITLE & ESCROW	Ramirez-Diego, Hahum	175.00
ACH870	30	12/31/2020 PUGET SOUND TITLE & ESCROW	Topliff, John	175.00
ACH870	30	12/31/2020 PUGET SOUND TITLE & ESCROW	Tripp, Andrew	175.00
ACH870	30	12/31/2020 PUGET SOUND TITLE & ESCROW	Payne, Rosemarie	175.00
ACH870	30	12/31/2020 PUGET SOUND TITLE & ESCROW	Gallagher, Rachael	175.00
ACH870	30	12/31/2020 PUGET SOUND TITLE & ESCROW	Hallstrom, Brian	175.00
ACH870	60	12/31/2020 PUGET SOUND TITLE & ESCROW	Bischof, Kevin & Janelle	350.00
ACH870	80	12/31/2020 PUGET SOUND TITLE & ESCROW	Ostagaard, Sharon	175.00
ACH870	30	12/31/2020 PUGET SOUND TITLE & ESCROW	Muasan, Leah	175.00
ACH870	30	12/31/2020 PUGET SOUND TITLE & ESCROW	Bolen, Ariella	175.00
ACH870	30	12/31/2020 PUGET SOUND TITLE & ESCROW	Devin, Kathy	175.00
ACH870	60	12/31/2020 PUGET SOUND TITLE & ESCROW	Furgason, Britany	175.00
ACH870	60	12/31/2020 PUGET SOUND TITLE & ESCROW	Furgason, Ian	175.00
ACH870	60	12/31/2020 PUGET SOUND TITLE & ESCROW	Hamilton, Forrest Jr	175.00
ACH870	30	12/31/2020 PUGET SOUND TITLE & ESCROW	Kraynak, Kaz	175.00
ACH870	30	12/31/2020 PUGET SOUND TITLE & ESCROW	Guien, Marvin	175.00
ACH871	10	12/31/2020 EQUIFAX INFORMATION SVCS LLC	Credit Report	167.56
ACH872	10	12/31/2020 EISENHOWER & CARLSON, PLLC	Legal Fees - Adams, Barbara - 11/2020	76.00
ACH872	10	12/31/2020 EISENHOWER & CARLSON, PLLC	Legal Fees - Arias, Julia - 11/2020	380.00
ACH872	10	12/31/2020 EISENHOWER & CARLSON, PLLC	Legal Fees - Smith, Helen - 11/2020	76.00
ACH872	10	12/31/2020 EISENHOWER & CARLSON, PLLC	Legal Fees - Van Cleave, Deborah - 11/2020	38.00
ACH872	10	12/31/2020 EISENHOWER & CARLSON, PLLC	Legal Fees-InTime Reno - 11/2020	1,254.00
ACH872	10	12/31/2020 EISENHOWER & CARLSON, PLLC	Legal Fees-Multiple matters - 11/2020	266.00
ACH872	10	12/31/2020 EISENHOWER & CARLSON, PLLC	Legal Fees-Thomas, Marie - 11/2020	608.00
ACH872	10	12/31/2020 EISENHOWER & CARLSON, PLLC	Legal Fees - Varner, Carol - 11/2020	608.00
ACH873	10	12/31/2020 PUGET SOUND TITLE & ESCROW	Chrisstoffel, Jackson	175.00
ACH873	10	12/31/2020 PUGET SOUND TITLE & ESCROW	Cocus, Maria	175.00

ACH873	10	12/31/2020 PUGET SOUND TITLE & ESCROW	Hawkins, Robert	175.00
ACH873	10	12/31/2020 PUGET SOUND TITLE & ESCROW	Holster, Robert	175.00
ACH873	10	12/31/2020 PUGET SOUND TITLE & ESCROW	King, David	350.00
ACH873	14	12/31/2020 PUGET SOUND TITLE & ESCROW	Buselmeier, Marguerite	175.00
ACH873	14	12/31/2020 PUGET SOUND TITLE & ESCROW	Forthman, Linda	175.00
ACH873	14	12/31/2020 PUGET SOUND TITLE & ESCROW	Jackson, Frances	175.00
ACH873	14	12/31/2020 PUGET SOUND TITLE & ESCROW	Knox, William	175.00
ACH873	14	12/31/2020 PUGET SOUND TITLE & ESCROW	Maldonado, Thomas	175.00
ACH873	14	12/31/2020 PUGET SOUND TITLE & ESCROW	Russ, Clymens	350.00
ACH873	14	12/31/2020 PUGET SOUND TITLE & ESCROW	Smith, James	175.00
ACH873	30	12/31/2020 PUGET SOUND TITLE & ESCROW	McCollum, Ronald	175.00
ACH873	14	12/31/2020 PUGET SOUND TITLE & ESCROW	Buselmeier, Marguerite	175.00
ACH873	30	12/31/2020 PUGET SOUND TITLE & ESCROW	Hickerson, Dawn	175.00
ACH873	30	12/31/2020 PUGET SOUND TITLE & ESCROW	Hite, Natalie	175.00
ACH873	30	12/31/2020 PUGET SOUND TITLE & ESCROW	Clearman, Ryan	175.00
ACH873	60	12/31/2020 PUGET SOUND TITLE & ESCROW	Hernandez, Leobardo	175.00
ACH874	14	12/31/2020 Defiance Construction LLC	Karanasos, Sheryl - Loan Disbursements	9,670.05
ACH874	14	12/31/2020 Defiance Construction LLC	Port, Veronica - Loan Disbursements	22,782.75
WIRE103	80	12/11/2020 ESCROW NORTHWEST INC	Prop Acquisition-15121 Boat St SW & 15123-15128 88th St SW	261,003.66
WIRE104	92	12/30/2020 CITY TREASURER	Pantages LLC - Contribution to COT	228,094.00
16952	10	12/9/2020 Tacoma Permits	824 MLK Jr Way - Building Permit	(93.60) VOIDED
16952	10	12/9/2020 Tacoma Permits	Mercy Housing - Building Permit	(1,123.20) VOIDED
16955	10	12/9/2020 Tacoma Permits	824 MLK Building Permit	(2,499.12) VOIDED
16961	35	12/31/2020 HOMEOWNERSHIP CENTER OF TACOMA	1750 S. Sheridan Ave - Buyback	(39,000.00) VOIDED
Report Total				<u>824,310.30</u>



Office of the Washington State Auditor

Pat McCarthy

Exit Conference: Tacoma Community Redevelopment Authority

The Office of the Washington State Auditor's vision is increased trust in government. Our mission is to provide citizens with independent and transparent examinations of how state and local governments use public funds, and develop strategies that make government more efficient and effective.

The purpose of this meeting is to share the results of your audit and our draft reporting. We value and appreciate your participation.

Audit Reports

We will publish the following reports:

- Accountability audit for January 1, 2019 through December 31, 2019 – see draft report.
- Financial statement and federal grant compliance audits for January 1, 2019 through December 31, 2019 - see report.

Audit Highlights

We would like to thank Authority staff for their cooperation and effort to response to our requests during the entire audit.

Recommendations not included in the Audit Reports

Management Letters

Management letters communicate control deficiencies, non-compliance or abuse with a less-than-material effect on the financial statements or other items significant to our audit objectives. Management letters are referenced, but not included, in the audit report. We noted certain matters that we are communicating in letters to management related to federal grant, procurement, prevailing wage, and retainage requirements.

Exit Items

We have provided exit recommendations for management's consideration. Exit items address control deficiencies or non-compliance with laws or regulation that have an insignificant or immaterial effect on the entity, or errors with an immaterial effect on the financial statements. Exit items are not referenced in the audit report.

Status of Prior Management Letter items

Brief Description	Resolved	Unresolved
Procurement – the Authority had inadequate internal controls over procurement		X

Communications required by audit standards

In relation to our financial statement audit report, we would like to bring to your attention:

- Uncorrected misstatements in the audited financial statements are listed below. We agree with management’s representation that these misstatements are immaterial to the fair presentation of the financial statements.

Description	Statement / Schedule	Opinion Unit
Expense and accounts payable were understated by \$34,363.61 because an expenses for services provided in 2019 was not accrued	Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position	TCRA

- There were no material misstatements in the financial statements corrected by management during the audit.

Finalizing Your Audit

Report Publication

Audit reports are published on our website and distributed via e-mail in an electronic .pdf file. We also offer a subscription service that allows you to be notified by email when audit reports are released or posted to our website. You can sign up for this convenient service at: <https://portal.sao.wa.gov/SAOPortal/>

Management Representation Letter

We have included a copy of representations requested of management.

Audit Cost

At the entrance conference, we estimated the cost of the audit to be \$59,000 and actual audit costs will approximate that amount.

Your Next Scheduled Audit

Your next audit is scheduled to be conducted in summer of 2021 and will cover the following general areas:

- Accountability for Public Resources
- Financial Statement
- Federal Programs

The estimated cost for the next audit based on current rates is \$50,000 plus travel expenses. This preliminary estimate is provided as a budgeting tool and not a guarantee of final cost.

Working Together to Improve Government

Audit Survey

When your report is released you will receive an audit survey from us. We value your opinions on our audit services and hope you provide feedback.

Local Government Support Team

This team provides support services to local governments through the Budget, Accounting, and Reporting System (BARS) and annual online filing technical assistance, provides accounting, reporting and BARS training. Our

website and client portal offers many resources, including a client Help Desk that answers auditing and accounting questions, updated BARS manuals, access to resources and recorded trainings, and additional accounting and reporting resources. Additionally this team assists with the online filing of your financial statements.

The Center for Government Innovation

The Center for Government Innovation of the Office of the Washington State Auditor offers services designed to help you, help the residents you serve at no additional cost to your government. What does this mean? They provide expert advice in areas like building a Lean culture to help local governments find ways to be more efficient, effective and transparent. The Center also provides financial management technical advice and best practices and resources. These can be accessed from the “Improving Government” tab of our SAO website and help you act on accounting standard changes, comply with regulations, protect public resources, minimize your cybersecurity risk and respond to recommendations in your audit. The Center also offers the Financial Intelligence Tool, better known as FIT, to help you assess and monitor your finances and compare your financial operations to other local governments like you. You can email the Center for a personal training session to learn all the benefits using the FIT tool can provide. The Center understands that time is your most precious commodity as a public servant, and wants to help you do more with the limited hours you have. If you are interested in learning how the Center can help you maximize your effect in government, call them at (564) 999-0818 or email them at Center@sao.wa.gov.

Questions?

Please contact us with any questions about information in this document or related audit reports.

Kelly Collins, CPA, Director of Local Audit, (564) 999-0807, Kelly.Collins@sao.wa.gov

Mark Rapozo, CPA, Assistant Director of Local Audit, (564) 999-0794 Mark.Rapozo@sao.wa.gov

Saundra Groshong, Audit Manager, (253) 290-7503, Saundra.Groshong@sao.wa.gov

Leah Hafterson, Assistant Audit Manager, (253) 290-2013, Leah.Hafterson@sao.wa.gov

Linda Mastin, Assistant Audit Manager, (253) 290-9413, Linda.Mastin@sao.wa.gov

Thuy Huynh, Audit Lead, (253) 593-7836, Thuy.Huynh@sao.wa.gov

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Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report
Tacoma Community Redevelopment
Authority

For the period January 1, 2019 through December 31, 2019

Published (Inserted by OS)

Report No. 1027684





**Office of the Washington State Auditor
Pat McCarthy**

Issue Date – (Inserted by OS)

Board of Directors
Tacoma Community Redevelopment Authority
Tacoma, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Authority operations. This information is valuable to management, the governing body and public stakeholders when assessing the government’s stewardship of public resources.

Attached is our independent audit report on the Authority’s compliance with applicable requirements and safeguarding of public resources for the areas we examined. We appreciate the opportunity to work with your staff, and we value your cooperation during the audit.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

Americans with Disabilities

In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at webmaster@sao.wa.gov.

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AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined. In those selected areas, Authority operations complied, in all material respects, with applicable state laws, regulations, and its own policies, and provided adequate controls over the safeguarding of public resources.

However, we noted certain matters related to procurement, prevailing wage, and retainage requirements that we communicated to Authority management and the Board of Directors in a letter dated January 28, 2021. We appreciate the Authority's commitment to resolving those matters.

In keeping with general auditing practices, we do not examine every transaction, activity, policy, internal control, or area. As a result, no information is provided on the areas that were not examined.

About the audit

This report contains the results of our independent accountability audit of the Tacoma Community Redevelopment Authority from January 1, 2019 through December 31, 2019.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.260, which requires the Office of the State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the Authority's use of public resources, compliance with state laws and regulations and its own policies and procedures, and internal controls over such matters. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the year ended December 31, 2019, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- Financial condition
- Cash receipting – timeliness and completeness of deposits
- Accounts payable - vendor disbursements
- Procurement/bid laws – public works, purchases, cooperative purchases, purchasing exemptions, and personal services

RELATED REPORTS

Financial

Our opinion on the Authority’s financial statements and compliance with federal grant program requirements is provided in a separate report, which includes the Authority’s financial statements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

Federal grant programs

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the Authority’s major federal programs, which are listed in the Schedule of Findings and Questioned Costs section of the separate financial statement and single audit report. That report includes a federal finding regarding housing quality standards requirements. It also includes a federal finding regarding environmental review and rehabilitation requirements. That report is available on our website, <http://portal.sao.wa.gov/ReportSearch>.

INFORMATION ABOUT THE AUTHORITY

The Tacoma Community Redevelopment Authority was created in 1973 by the city of Tacoma to provide housing rehabilitation and community development loans to residents and businesses in Tacoma. An appointed Board of Directors governs the Authority.

The Board is composed of at least five, but not more than 15 members, appointed by the Mayor of the city, subject to confirmation by the Tacoma City Council. Board Members are appointed for two-year terms. The city has oversight responsibility for administration and contract approval for the Authority. For fiscal year 2019, the Authority had operating revenues of \$2 million and an ending net position of \$54 million.

Contact information related to this report	
Address:	Tacoma Community Redevelopment Authority 747 Market Street Suite 1036 Tacoma, WA 98402
Contact:	Kristy Magyar, Accounting Services Division Manager
Telephone:	(206) 612-3180
Website:	www.cityoftacoma.org

Information current as of report publish date.

Audit history

You can find current and past audit reports for the Tacoma Community Redevelopment Authority at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR’S OFFICE

The State Auditor’s Office is established in the state’s Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor’s Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor’s Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(564) 999-0950
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov



**Office of the Washington State Auditor
Pat McCarthy**

January 28, 2021

Board of Directors
Tacoma Community Redevelopment Authority
Tacoma, Washington

Management Letter

This letter includes a summary of specific matters that we identified in planning and performing our accountability audit of the Tacoma Community Redevelopment Authority from January 1, 2019 through December 31, 2019. We believe our recommendations will assist you in improving the Authority's internal controls and compliance in these areas.

We will review the status of these matters during our next audit. We have already discussed our comments with and made suggestions for improvements to Authority officials and personnel. If you have any further questions, please contact me at (253) 290-7503.

This letter is intended for the information and use of management and the governing body and is not suitable for any other purpose. However, this letter is a matter of public record and its distribution is not limited.

We would also like to take this opportunity to extend our appreciation to your staff for the cooperation and assistance given during the course of the audit.

Sincerely,

Sandra Groshong

Sandra Groshong, Audit Manager

Attachment

Exhibit 3

Management Letter
Tacoma Community Redevelopment Authority
January 1, 2019 through December 31, 2019

Procurement, prevailing wage, and retainage requirements

Authority management is responsible for establishing effective internal controls to ensure compliance with state law, including procurement, prevailing wage, and retainage requirements. Procurement laws are intended to prevent fraud, collusion and favoritism when awarding public contracts, and to promote openness in government. Prevailing wage and retainage laws are intended to reduce the risk the Authority is held liable for the difference between the wage rates paid by the contractor and the state prevailing wage rates.

The Authority could not demonstrate compliance with its own procurement policy when procuring a service contract totaling \$120,000 as a non-competitive solicitation. The Authority did not keep records showing:

- The service was available only from a single source;
- A public emergency existed and competitive solicitations could be waived;
- After solicitation of a number of sources, competition was determined to be inadequate.

Additionally, the Authority did not ensure contractors filed Prevailing Wage Intents and Affidavits for two projects totaling \$195,590 and \$128,950. The Authority also released retainage for these projects without obtaining releases from the Department of Revenue, Department of Labor & Industries, and Employment Security Department, as required.

We recommend the Authority:

- Establish procedures to ensure all purchases are procured in accordance with the Authority's procurement policy
- Establish procedures to ensure all intents, affidavits, and retainage releases are obtained for projects subject to prevailing wage and retainage requirements
- Ensure staff involved in procurement receive adequate training to maintain compliance with procurement, prevailing wage, and retainage requirements



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Tacoma Community Redevelopment Authority

For the period January 1, 2019 through December 31, 2019

Published September 30, 2020

Report No. 1027061





**Office of the Washington State Auditor
Pat McCarthy**

September 30, 2020

Board of Directors
Tacoma Community Redevelopment Authority
Tacoma, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Tacoma Community Redevelopment Authority's financial statements and compliance with federal laws and regulations.

We are issuing this report in order to provide information on the Authority's financial condition.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

Americans with Disabilities

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Tacoma Community Redevelopment Authority January 1, 2019 through December 31, 2019

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Tacoma Community Redevelopment Authority are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Authority.

Federal Awards

Internal Control over Major Programs:

- *Significant Deficiencies:* We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- *Material Weaknesses:* We identified deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Authority’s compliance with requirements applicable to each of its major federal programs.

We reported findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

Identification of Major Federal Programs

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
11.307	Economic Development Cluster – Economic Adjustment Assistance
14.218	CDBG - Entitlement Grants Cluster – Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnerships Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

The Authority did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Findings 2019-001 and 2019-002.

**SCHEDULE OF FEDERAL AWARD FINDINGS AND
QUESTIONED COSTS**

**Tacoma Community Redevelopment Authority
January 1, 2019 through December 31, 2019**

2019-001 The Authority did not have adequate internal controls to ensure compliance with federal requirements regarding housing quality standards.

CFDA Number and Title:	14.239 – Home Investment Partnerships Program
Federal Grantor Name:	Department of Housing & Urban Development
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	City of Tacoma
Pass-through Award/Contract Number:	M-16-DC-53-0206
	M-17-DC-53-0206
	M-18-DC-53-0206
Questioned Cost Amount:	\$0

Background

The Tacoma Community Redevelopment Authority administers the federal HOME Investment Partnerships (“HOME”) Program and spent \$1,419,056 during fiscal year 2019. One of the main objectives of HOME is to expand the supply of decent and affordable housing, particularly for low- and very-low-income households. The Program supports construction, acquisition or rehabilitation of affordable housing units and creates rental and home ownership opportunities.

Federal regulations require recipients of federal grant funding to establish and follow internal controls to ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of program compliance.

Description of Condition

Federal regulations require the Authority to perform periodic onsite inspections of housing projects funded by the program to ensure compliance with property standards. The Authority had procedures in place to ensure compliance with

housing quality standards, but these procedures were not effective in ensuring all required inspections were completed to ensure compliance with the HOME program's Housing Quality Standards (HQS) requirement.

We consider this internal control deficiency to be a material weakness.

The issue was reported as a finding in the prior audit as finding 2018-001.

Cause of Condition

Because of high turnover in key positions, the Authority could not find records to verify that housing quality standards inspections were performed, as required by HOME.

Effect of Condition

The Authority could not provide records showing properties received an HQS inspection for three of the 17 tested properties. Failure to comply with inspection requirements could result in HUD withholding future annual allocations of HOME funding from the Authority.

Recommendations

We recommend the Authority implement processes and procedures to ensure:

- Staff are cross-trained to cover compliance requirements when there is turnover or staff are on leave. Also, the Authority should ensure staff are adequately trained and monitor to ensure the Authority complies with program requirements.
- Records of HQS inspections are completed and kept

Authority's Response

In response to this finding the Authority will develop and implement policies and procedures relating to conducting HQS inspections and maintaining complete files. In addition to the policies and procedures we will develop a schedule, based on program guidelines, that shows when each property in the Authority's portfolio will be inspected.

In addition to developing policies and procedures, staff are taking available trainings related to all aspects of HUD programs to ensure we are able to comply with the requirements of the programs administer. For continuity of operations and peer collaboration most aspects of our programs will have more than one staff person trained or knowledgeable in that area. In addition to cross training we are working on the development of procedure manuals so if there are changes in

staffing there will be a guide for new or existing staff as they take on the new responsibility.

Auditor's Remarks

We appreciate the Authority's commitment to improving their processes to resolve these issues. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, Uniform Guidance, section 303 Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

Title 24 CFR Part 92, Home Investment Partnerships Program, sections 92.209(i), 92.251(f), and 92.504(d), Housing Quality Inspection requirements, describe the program specific requirements for performing on-site inspections and determining compliance with quality standards.

**SCHEDULE OF FEDERAL AWARD FINDINGS AND
QUESTIONED COSTS**

**Tacoma Community Redevelopment Authority
January 1, 2019 through December 31, 2019**

2019-002 The Authority did not have adequate internal controls to ensure compliance with federal requirements regarding Environmental Review and Rehabilitation.

CFDA Number and Title:	14.218, Community Development Block Grants/Entitlement Grants
Federal Grantor Name:	U.S. Department of Housing and Urban Development
Federal Award/Contract Number:	N/A
Pass-through Entity Name:	City of Tacoma
Pass-through Award/Contract Number:	B-14-MC-53-0007 B-15-MC-53-0007 B-16-MC-53-0007
Questioned Cost Amount:	\$0

Background

The Tacoma Community Redevelopment Authority administers the federal Community Development Block Grant (CDBG) program and spent \$1,454,882 during fiscal year 2019. The objectives of the CDBG program are to develop viable urban communities by providing decent housing and a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income.

Federal regulations require recipients of federal grant funding to establish and follow internal controls to ensure compliance with program requirements. These controls include understanding grant requirements and monitoring the effectiveness of the controls.

Description of Condition

Environmental review

Federal regulations require the projects must have an environmental review unless they meet specified criteria for exemption or exclusion of this requirement. The Authority uses a checklist to ensure the environmental reviews are completed and determine what type of environmental review is needed.

The Authority did not consistently use or keep its checklist to ensure or demonstrate environmental reviews were performed.

We consider this internal control deficiency to be a material weakness.

The issue was not reported as a finding in the prior audit.

Rehabilitation

When CDBG funds are used for rehabilitation, federal regulations require the grantee to ensure that the work is properly completed by performing the following:

- a. Conducting pre-rehabilitation inspections to determine deficiencies to be corrected
- b. Incorporating the deficiencies to be corrected into the rehabilitation contract
- c. Inspecting the rehabilitation work upon completion to assure that it is carried out in accordance with contract specifications

The Authority did not have a process in place to ensure the documentation demonstrating all rehabilitation inspections was completed and kept.

We consider this internal control deficiency to be a material weakness.

The issue was not reported as a finding in the prior audit.

Cause of Condition

Rehabilitation & Environmental Reviews

Because of high turnover in key positions, the Authority could not find records to verify and to determine whether environmental reviews and rehabilitation inspections were performed for all applicable projects as required under the CDBG program.

Effect of Condition

The Authority could not provide documentation for two of six environmental review checklists, and three of five rehabilitation projects did not have either pre-rehabilitation or post-rehabilitation inspections. Without documented environmental reviews and rehabilitation inspections, the Authority cannot not demonstrate it is complying with program requirements.

Failure to comply with program requirements could result in HUD withholding future annual allocations of CDBG funding from the Authority.

Recommendation

We recommend the Authority establish and strengthen processes and procedures to ensure all applicable housing projects receive environmental reviews and rehabilitation inspections and that the supporting records are kept.

Authority's Response

In recent months current staff have taken on the task of revising and developing policies and procedures and checklists for all project types that are undertaken or contracted for by the Authority. As a result of clear policies and procedures we anticipate fewer to no issues in these areas going forward. As these policies and procedures are implemented we will continue to refine and improve as needed and as programs evolve or regulations change. Staff are also taking available trainings related to environmental reviews and rehabilitation programs so they are using the most current information to carry out project activities.

For both the rehabilitation program and the environmental review process the Authority has implemented policies and procedures and developed checklists to ensure all projects receive the appropriate environmental review and that pre-rehabilitation and post-rehabilitation inspections are completed. The policies and procedures also outline what and how supporting project documents and records are kept.

Auditor's Remarks

We appreciate the Authority's commitment to resolving these issues. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

(Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 935, Compliance Audits, and paragraph 11.

Title 2 CFR Part 200, Uniform Guidance, section 303 internal controls, establishes internal control requirements for management of Federal awards.

Title 24 CFR Part 570, Community Development Block Grants, section 570.604, environmental standards.

Title 24 CFR Part 58, Environmental review procedures for entities assuming HUD environmental responsibilities, section 58.1, 58.22, 58.34, 58.35, describing purpose and procedures for performing environmental review assessments.

Title 24 CFR Part 570, Community Development Block Grants, section 570.506, records to be maintained.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**Tacoma Community Redevelopment Authority
January 1, 2019 through December 31, 2019**

This schedule presents the status of federal findings reported in prior audit periods.

Audit Period: 2018	Report Ref. No.: 1024631	Finding Ref. No.: 2018-001	CFDA Number(s): 14.239
Federal Program Name and Granting Agency: Home Investment Partnerships Program - Department of Housing & Urban Development		Pass-Through Agency Name: City of Tacoma	
Finding Caption: The Authority did not have adequate internal controls to ensure compliance with federal requirements regarding matching and housing quality standards.			
Background: Matching The Authority did not have a process in place to identify, calculate or report its compliance with HOME Program matching requirements. Housing Quality Standards Authority did not have a process to ensure that onsite inspections occurred for projects funded by the program. .			
Status of Corrective Action: (check one) <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>Matching Requirement - The Authority began the process of creating a plan to draft the necessary policies and procedures regarding HOME Matching requirements after the 2017 federal audit. Several of the Authority's staff attended a Policy and Procedure Development Training understand the end-to-end process. The Authority staff began the development of the policies and procedures; however, they were not in place for the January 2018 - December 2018 audit year. The staff continued their work drafting the policies and procedures to be in</i>			

alignment of the Program Year 2018-2019 Consolidated Annual Performance and Evaluation Report (CAPER). The staff was unable to continue the work of the due to the loss of three (3) key division staff members. These positions were backfilled, however the new staff has had limited to no experience in federal grant management or drafting of policies and procedures. The Housing Division has underwent a complete division wide staff change. The Division Manager was replaced in June 2020. The Management Analyst II position is currently vacant as well as a Contract and Program Auditor position. This Corrective Action has been partially completed.

Housing Quality Standard (HQS) - The TCRA has a joint agreement with the Washington State Department of Commerce (Commerce) and the Washington State Housing Finance Commission (WSHFC) to share inspection information on jointly funded projects. The TCRA agreements insures that both Commerce (MOU in-place) and WSHFC (Agreement) share their inspection findings in a timely manner. Both Agreements were submitted to the SAO during the 2019 audit. Additionally, the TCRA has developed and implemented an excel spreadsheet as a tracking mechanism; therefore, all properties and inspection data can be easily accessed. This Corrective Action has been fully corrected.

Audit Period: 2018	Report Ref. No.: 1024631	Finding Ref. No.: 2018-002	CFDA Number(s): 14.218
Federal Program Name and Granting Agency: Community Development Block Grants/Entitlement Grants - Department of Housing & Urban Development		Pass-Through Agency Name: City of Tacoma	
Finding Caption: The Authority lacked adequate internal controls to ensure compliance with subrecipient monitoring requirements.			
Background: The Authority had one subrecipient and they did not clearly identify the federal award, evaluate the subrecipients risk of non-compliance or monitor to ensure that they funds were used for authorized purposes			
Status of Corrective Action: (check one) <input checked="" type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
Corrective Action Taken: <i>The agreement with the Pierce County Community Development Corporation (PCCDC) described the organization as a sub-recipient to the TCRA. However, the former staff member</i>			

managing the contract at that time did not treat the contract as such. As a result, the PCCDC did not undergo an appropriate risk assessment and sub-recipient monitoring in 2018. In 2019, the TCRA reviewed its procedures to ensure that contracts are labeled correctly and all applicable requirements are included. Additionally, staff completed an on-site, full risk assessment and subrecipient monitoring December 2019.

**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***

**Tacoma Community Redevelopment Authority
January 1, 2019 through December 31, 2019**

Board of Directors
Tacoma Community Redevelopment Authority
Tacoma, Washington

We have audited, in accordance with 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 Tacoma Community Redevelopment Authority, a component unit of the City of Tacoma, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 23, 2020.

As discussed in Note 12 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Authority. Management's plans in response to this matter are also described in Note 12.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized initial "P".

Pat McCarthy

State Auditor

Olympia, WA

September 23, 2020

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**Tacoma Community Redevelopment Authority
January 1, 2019 through December 31, 2019**

Board of Directors
Tacoma Community Redevelopment Authority
Tacoma, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM**

We have audited the compliance of the Tacoma Community Redevelopment Authority, a component unit of the City of Tacoma, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Authority’s major federal programs for the year ended December 31, 2019. The Authority’s major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority’s major federal programs 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; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain

reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major federal program. Our audit does not provide a legal determination on the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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 December 31, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2019-001 and 2019-002. We also noted certain matters that we have reported to the management of the Authority in a separate letter dated September 30, 2020. Our opinion on each major federal program is not modified with respect to these matters.

Authority's Response to Findings

The Authority's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The 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 Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the

circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 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 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.

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 were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Findings 2019-001 and 2019-0020 that we consider to be material weaknesses.

We also noted certain matters that we have reported to the management of the Authority in a separate letter dated September 30, 2020.

Authority's Response to Findings

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The 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.

Purpose of this Report

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. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

September 23 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Tacoma Community Redevelopment Authority January 1, 2019 through December 31, 2019

Board of Directors
Tacoma Community Redevelopment Authority
Tacoma, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Tacoma Community Redevelopment Authority, a component unit of the City of Tacoma, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed on page 27.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tacoma Community Redevelopment Authority, as of December 31, 2019, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 12 to the 2019 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the Authority. Management's plans in response to this matter are also described in Note 12. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of

America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This schedule 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 basic 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 information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That

report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

September 23, 2020



**Office of the Washington State Auditor
Pat McCarthy**

September 30, 2020

Board of Directors
Tacoma Community Redevelopment Authority
Tacoma, Washington

Management Letter

This letter includes a summary of specific matters that we identified in planning and performing our single audit of the Tacoma Community Redevelopment Authority from January 1, 2019 through December 31, 2019. We believe our recommendations will assist you in improving the Authority's internal controls and compliance in these areas.

We will review the status of these matters during our next audit. We have already discussed our comments with and made suggestions for improvements to Authority officials and personnel. If you have any further questions, please contact me at (253) 290-7503.

This letter is intended for the information and use of management and the governing body and is not suitable for any other purpose. However, this letter is a matter of public record and its distribution is not limited.

We would also like to take this opportunity to extend our appreciation to your staff for the cooperation and assistance given during the course of the audit.

Sincerely,

Joanne Klein, Audit Manager

Attachment

Exhibit 3

Management Letter
Tacoma Community Redevelopment Authority
January 1, 2019 through December 31, 2019

Allowable costs

In fiscal year 2019, the Authority spent \$1,454,892 in federal funding through its Community Development Block Grant (CDBG) program, CFDA number 14.218. The Authority can use these program funds for acquisition and disposition of property, economic development, housing rehabilitation and homeownership assistance.

The Authority sold one property in fiscal year 2019 that it purchased in fiscal year 2016. From 2016 through 2019, the Authority spent \$401,331 in CDBG funds to purchase, rehabilitate, maintain, and sell the property. Of this amount, the Authority spent \$24,691 for utilities, taxes and closing costs and charged these costs to the grant. These costs are not allowable because they are not eligible rehabilitation activities under federal regulations. We are questioning these costs.

High staff turnover caused delays in selling the property and increased costs to maintain the property. Staff were unaware that it could not charge costs for maintaining and selling the property to the program.

We recommend the Authority improve internal controls to ensure that it uses CDBG funds for eligible rehabilitation and preservation activities.



January 28, 2021

Office of the Washington State Auditor
Saundra Groshong, Audit Manager
949 Market Street, Suite 560
Tacoma, WA 98402

To the Office of the Washington State Auditor:

We are providing this letter in connection with your audit of the Tacoma Community Redevelopment Authority for the period from January 1, 2019 through December 31, 2019. Representations are in relation to matters existing during or subsequent to the audit period up to the date of this letter.

Certain representations in this letter are described as being limited to matters that are significant or material. Information is considered significant or material if it is probable that it would change or influence the judgment of a reasonable person.

We confirm, to the best of our knowledge and belief, having made appropriate inquiries to be able to provide our representations, the following representations made to you during your audit. If we subsequently discover information that would change our representations related to this period, we will notify you in a timely manner.

General Representations:

1. We have provided you with unrestricted access to people you wished to speak with and made available requested and relevant information of which we are aware, including:
 - a. Financial records and related data.
 - b. Minutes of the meetings of the governing body or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - c. Other internal or external audits, examinations, investigations or studies that might concern the objectives of the audit and the corrective action taken to address significant findings and recommendations.
 - d. Communications from regulatory agencies, government representatives or others concerning possible material noncompliance, deficiencies in internal control or other matters that might concern the objectives of the audit.
 - e. Related party relationships and transactions.
 - f. Results of our internal assessment of business risks and risks related to financial reporting, compliance and fraud.



2. We acknowledge our responsibility for compliance with requirements related to confidentiality of certain information, and have notified you whenever records or data containing information subject to any confidentiality requirements were made available.
3. We acknowledge our responsibility for compliance with applicable laws, regulations, contracts and grant agreements.
4. We have identified and disclosed all laws, regulations, contracts and grant agreements that could have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
5. Except as discussed with you, we have complied with all material aspects of laws, regulations, contracts and grant agreements.
6. We acknowledge our responsibility for establishing and maintaining effective internal controls over compliance with applicable laws and regulations and safeguarding of public resources, including controls to prevent and detect fraud.
7. Except as discussed with you, we have established adequate procedures and controls to provide reasonable assurance of safeguarding public resources and compliance with applicable laws and regulations.
8. We have no knowledge of any loss of public funds or assets or other illegal activity, or any allegations of fraud or suspected fraud involving management or employees.
9. In accordance with RCW 43.09.200, all transactions have been properly recorded in the financial records, notwithstanding immaterial uncorrected items referenced below.

Felicia Medlen

Felicia Medlen
(Housing Division Manager)

Susan Calderon

Susan Calderon
(Assistant Finance Director/Controller)

September 23, 2020

Washington State Auditor's Office
949 Market Street, Suite 560
Tacoma, WA 98402

To the Office of the Washington State Auditor:

We are providing this letter in connection with your audit of Tacoma Community Redevelopment Authority for the period from January 1, 2019 through December 31, 2019. Representations are in relation to matters existing during or subsequent to the audit period up to the date of this letter.

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9. In accordance with RCW 43.09.200, all transactions have been properly recorded in the financial records, notwithstanding immaterial uncorrected items referenced below.
10. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings, and we have provided you with all the information on the status of the follow-up on prior audit findings.
11. We are responsible for taking corrective action on audit findings and have developed a corrective action plan.

Additional representations related to the financial statements:

12. We acknowledge our responsibility for fair presentation of financial statements and believe financial statements are fairly presented in conformity with generally

accepted accounting principles in the United States of America.

13. We acknowledge our responsibility for establishing and maintaining effective internal control over financial reporting.
14. The financial statements include financial information of the primary government and all component units, fiduciary and other activity required by generally accepted accounting principles to be included in the financial reporting entity.
15. The financial statements properly classify all funds and activities.
16. All funds that meet the quantitative criteria in GASB requirements or are otherwise particularly important to financial statement users, are presented as major funds.
17. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported and depreciated as applicable.
18. We have no plans or intentions that may materially affect the reported value or classification of assets, liabilities or net position.
19. Revenues are appropriately classified by fund and account.
20. Expenses have been appropriately classified by fund and account, and allocations have been made on a reasonable basis.
21. Net position components (net investment in capital assets, restricted and unrestricted) are properly classified and, as applicable, approved.
22. Significant assumptions we used in making accounting estimates are reasonable.
23. The following have been properly classified, reported and disclosed in the financial statements, as applicable:
 - a. Interfund, internal, and intra-entity activity and balances.
 - b. Related-party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - c. Joint ventures and other related organizations.
 - d. Guarantees under which the government is contingently liable.
 - e. All events occurring subsequent to the fiscal year end through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

- f. Effects of all known actual or possible litigation, claims, assessments, violations of laws, regulations, contracts or grant agreements, and other loss contingencies.
24. We have accurately disclosed to you all known actual or possible pending or threatened litigation, claims or assessments whose effects should be considered when preparing the financial statements. We have also accurately disclosed to you the nature and extent of our consultation with outside attorneys concerning litigation, claims and assessments.
25. We acknowledge our responsibility for reporting supplementary information (Schedule of Expenditures of Federal Awards) in accordance with applicable requirements and believe supplementary information is fairly presented, in both form and content in accordance with those requirements.
26. We have disclosed to you all significant changes to the methods of measurement and presentation of supplementary information, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation.
27. We acknowledge our responsibility for the supplementary information required by generally accepted accounting principles in the United States (RSI) and believe RSI is measured and presented within prescribed guidelines.
28. We have disclosed to you all significant changes in the methods of measurement and presentation of RSI, reasons for any changes and all significant assumptions or interpretations underlying the measurement or presentation of the RSI.
29. We believe the effects of uncorrected financial statement misstatements summarized below are not material, both individually and in the aggregate, to each applicable opinion unit.

Description	Statement / Schedule	Opinion Unit
Expense and accounts payable were understated by \$34,363.61 because an expenses for services provided in 2019 was not accrued	Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position	TCRA

30. We acknowledge our responsibility not to publish any document containing the audit report with any change in the financial statements, supplementary and other

information referenced in the auditor's report. We will contact the auditor if we have any needs for publishing the audit report with different content included.

Additional representations related to expenditures under federal grant programs:

31. We acknowledge our responsibility for complying, and have complied, with the requirements of 2 CFR § 200 *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*.
32. With regards to your audit of federal grant programs, we have made available all relevant and requested information of which we are aware, including:
 - a. All federal awards and related grant agreements (including amendments, if any), contracts with pass-through entities, service organizations and vendors, and correspondence.
 - b. All communications from federal awarding agencies, vendors, service organizations or pass-through entities concerning possible noncompliance.
 - c. All information regarding corrective actions taken and management decisions or follow-up work performed by federal or pass-through agencies on any findings reported in the past.
 - d. All documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
 - e. Interpretations or other support for any situations where compliance with requirements might be questionable or unclear.
33. Except as reported by the audit, we have identified and complied with all direct and material compliance requirements of federal awards.
34. Management is responsible for establishing effective internal control and has, except as reported by the audit, maintained sufficient control over federal programs to provide reasonable assurance that awards are managed in compliance with laws, regulations, contracts or grant agreements that could have a material effect on each of our federal awards.
35. Federal program financial reports and claims for advances and reimbursements are supported by the accounting records from which the basic financial statements have been prepared, and are prepared on a basis consistent with the Schedule of Expenditures of Federal Awards.

36. Copies of federal program reports provided to you are true copies of the reports submitted, or electronically transmitted, to federal agencies or pass-through agencies, as applicable.
37. We are responsible for, and will accurately prepare, the auditee section of the Data Collection Form as required by the Uniform Guidance.

Additional representations related to federal grants passed through to subrecipients:

38. We have advised our subrecipients of requirements imposed on them by Federal laws, regulations, contracts or grant agreements as well as any supplemental requirements we impose as a condition of receiving Federal awards.
39. We have monitored the activities of our subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, contracts or grant agreements.
40. We have determined that subrecipients expending \$750,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of 2 CFR § 200.501 for that fiscal year.
41. When applicable, we have issued a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensured that the subrecipient has taken appropriate and timely corrective action.
42. We have considered the results of our subrecipients' audits and made any necessary adjustments to our own accounting records.

Felicia Medlen

Felicia Medlen
(Housing Division Manager)

Susan Calderon

Susan Calderon
(Assistant Finance Director/Controller)



TO: Tacoma Community Redevelopment Authority Board

FROM: Felicia Medlen, Housing Division Manager

SUBJECT: Tacoma Housing Authority (THA) - Conifer South Acquisition

DATE: January 21, 2020

SUMMARY

Provide an update on the Conifer South Acquisition Project, request approval of loan terms, and authorization for the TCRA Administrator to execute the loan document and related security documents.

BACKGROUND

On December 17, 2020 staff brought forward a request from THA to invest up to 1.5 million dollars of Community Development Block Grant Funds (CDBG) funds into the acquisition of a 32 unit senior apartment complex, Conifer South. This acquisition is part of a larger acquisition project would result in the overall preservation of 307 units across the City of Tacoma (see attached map).

ISSUE

Following the December 17th Board meeting staff obtained a pro-forma, appraisal, and a CNA from THA to begin underwriting the request. The CNA does not indicate any major renovations are needed and show that the building is in overall fair condition. The appraisal showed strong market demand despite the market showing indicators of a recession and a value within the expected range of 1.7 million- 2.5 million.

The current rents on the property are \$758 per unit and the property operates at an expense level of \$7,300 per unit and has a current NOI of \$54,000 annually. THA's plans for this property includes setting aside portions of the net operating income and re-investing it in the building by updating units as they turnover. These unit turn updates will also address items mentioned in the CNA.

THA is anticipating completing the acquisition in mid-February. Execution of the loan agreement prior to the closing date will ensure a payment request can be processed with adequate time to be transferred to escrow for the purchase.

RECOMMENDATION

Staff recommends providing the investment of 1.5 million dollars to THA with the following terms:

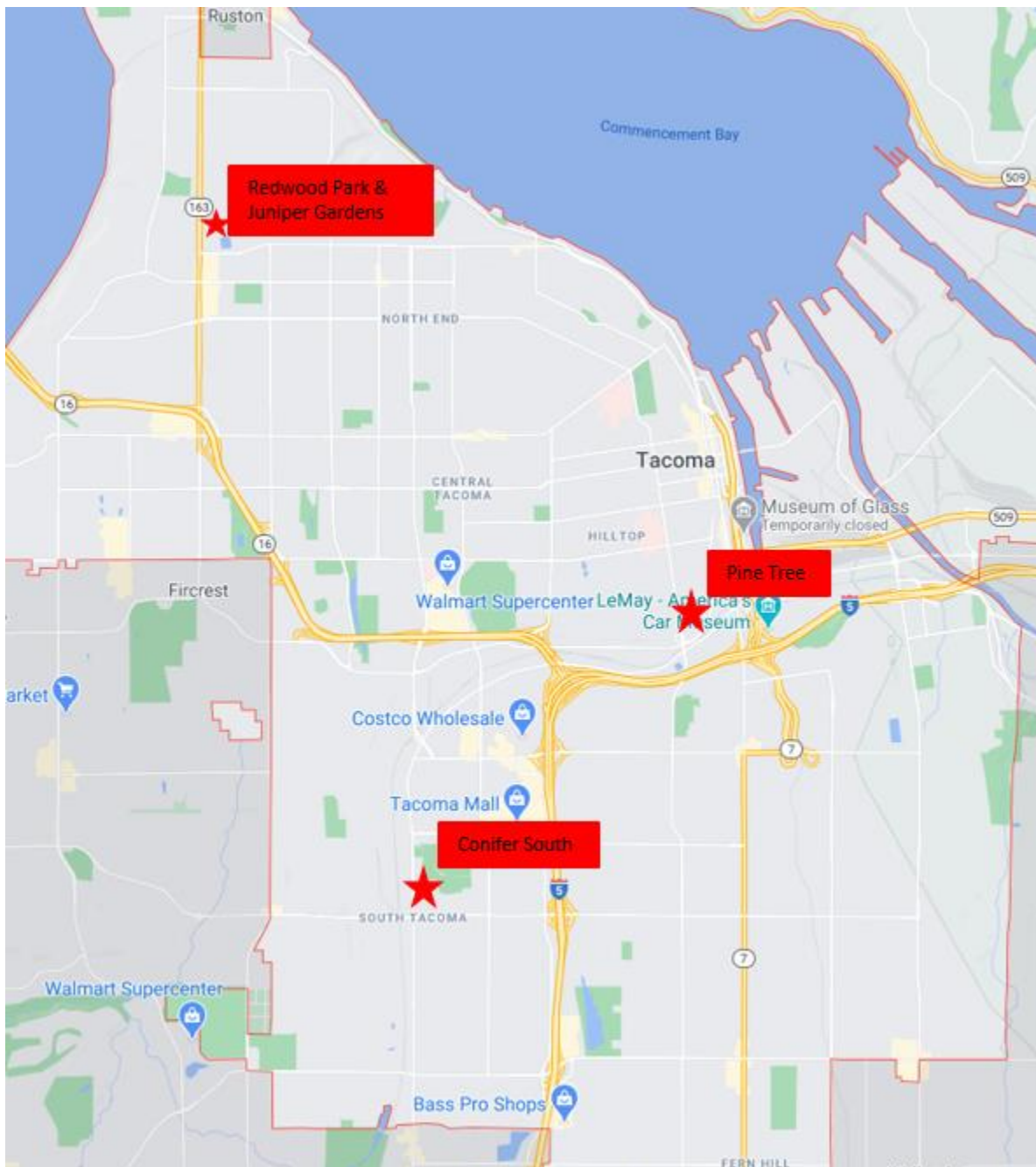
- 10 year deferred loan
- 1% interest

Staff also requests the Board authorize the TCRA Administrator to execute the loan and related security documents once they are finalized.

NEXT STEPS

Staff will work with THA to finalize and execute documents.

Attachment A



Addresses:

- Juniper Gardens- 3018 N Highland, Tacoma 98407
- Redwood Park- 3015-A North Pearl Street, Tacoma, Washington 98407
- Conifer South- 5234 S Warner Street, Tacoma 98409
- Pine Tree- 2501 South G Street. Tacoma, WA 98405