




**Berkeley Housing Authority**

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*Office of the Executive Director*

Item 7D  
NEW BUSINESS  
February 10, 2022

To: Honorable Chairperson and  
Members of the Housing Authority Board

From: Jesy Yturralde, Finance Manager and Rachel Gonzales-Levine, Acting Executive  
Director 

SUBJECT: Financial Audit and Tax Return Services Contract with Smith Marion & Co.

RECOMMENDATION

Approve a resolution authorizing the Acting Executive Director to execute a three-year contract with Smith Marion & Co. as the Financial Audit and Tax Return Services provider for Berkeley Housing Authority (BHA) and Affordable Housing Berkeley, Inc. (AHB) for Fiscal Years ending June 30, 2022, June 30, 2023 and June 30, 2024, with two one-year options to renew for Fiscal Years ending June 30, 2025 and June 30, 2026, for a not to exceed cost of \$85,910 for the initial three years and \$58,804 in total for the two-one-year options.

BACKGROUND

The Housing Authority is required to have an independent audit of its financial reports on an annual basis. The audit report for the Federal Programs, Section 8 Housing Choice voucher, Moderate Rehabilitation Program Mainstream and Emergency Housing Voucher, is due to the U.S. Department of Housing and Urban Development (HUD), nine months after the close of the fiscal year. Since BHA is a June 30 housing authority, the submission is due by March 31<sup>st</sup> of the subsequent fiscal year.

Recently, BHA established its non-profit affiliate and development instrumentality, Affordable Housing Berkeley, Inc. AHB is a discreet component unit of BHA as defined by HUD, sharing the same June 30 fiscal year end as BHA. Annual tax return for AHB will need to be completed and filed by December 31<sup>st</sup>.

Cropper Accountancy Corp. conducted the audit of the Berkeley Housing Authority's financial statements from FY2017 to FY2021. Their contract expired upon the completion of the FY2020-2021 audit engagement.

On December 16, 2021, the Board authorized staff to issue a Request for Proposal (RFP) for Independent Audit and Tax Return services for BHA and AHB for a three-year contract covering fiscal years ending June 30, 2022, June 30, 2023 and June 30, 2024, with an option for two-one-year contracts for fiscal years ending June 30, 2025 and June 30, 2026.

Staff emailed the proposal directly to 24 firms, mostly solicited from other PHAs that recently issued a similar RFP and some referrals. An ad was also posted and disseminated by NAHRO. Of the 24

invited firms, five appear to be minority or women-owned. A total of six proposals were received by the January 19<sup>th</sup> due date from reputable audit firms coming from within and outside of California.

A review panel, comprised of local PHA Finance staff, all of whom are minority women, was assembled to evaluate the proposals according to guidelines established in the RFP, and an interview of the top four firms were held on February 1 and 4, 2022. Of the top four proposals received, one is minority or women-owned.

#### RATIONALE OF RECOMMENDATION

All but one of the firms received have audited or are currently auditing housing authority clients. The firms demonstrated knowledge and experience in auditing HUD's Section 8 program. However, with the recent development at BHA, including its selection in the Landlord Incentive Cohort of HUD's Moving to Work (MTW) Program and creation of BHA's affiliate and development arm, Affordable Housing Berkeley, the review panel expanded their evaluation criteria to include the firms' knowledge and expertise in MTW implementation and operation, as well as, Low Income Tax Credit and RAD.

Smith Marion & Co., based in Redlands, California, was established in 1983 and is an industry leader in Housing Authority audits. The team at Smith Marion has collectively served over 100 PHAs and other affordable housing agencies nationwide, with over 30 years of experience in affordable housing audits. They have been called upon to train HUD, housing authorities and housing associations across the county on a variety of subjects including MTW, RAD, LIHTC, GASB implementation and HUD Financial Reporting. Staff received positive feedback from other PHAs that we contacted for references, including Housing Authority of the County of Santa Barbara, HA of the County of Riverside, Sonoma County – CDC and others.

After a thorough review and deliberation of the proposals, it was the unanimous recommendation of the review team to award the contract to Smith Mason and Co. Time is of the essence, as Finance staff will need to meet with the newly selected firm so that the 2021-22 Audit engagement can get underway.

#### FINANCIAL IMPACTS OF RECOMMENDATION

Funds are budgeted annually for audit services expenditures in the appropriate audit expense line, \$28,260 for FY 2021-2022; \$28,825 for FY 2022-2023 and 2023-2024; and \$29,402 for each of the option fiscal years.

#### CONTACT PERSON

Jesy Yturalde, Finance Manager, 981-5488

Rachel Gonzales-Levine, Acting Executive Director, 981-5485

Attachments:

1. Resolution

BERKELEY HOUSING AUTHORITY  
Resolution 22-

AUTHORIZING THE ACTING EXECUTIVE DIRECTOR TO EXECUTE A THREE-YEAR CONTRACT WITH SMITH MASON AND CO. AS THE FINANCIAL AUDIT AND TAX RETURN SERVICE PROVIDER FOR BERKELEY HOUSING AUTHORITY AND AFFORDABLE HOUSING BERKELEY YEARS ENDING JUNE 30, 2022, JUNE 30, 2023 AND JUNE 30, 2024, WITH TWO ONE-YEAR OPTIONS TO RENEW FOR FISCAL YEARS ENDING JUNE 30, 2025 AND JUNE 30, 2026 FOR A NOT TO EXCEED COST OF \$85,910 FOR THE INITIAL THREE YEARS AND \$58,804 FOR THE TWO-ONE-YEAR OPTIONS.

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

WHEREAS, on December 16<sup>th</sup> 2021, the Berkeley Housing Authority Board authorized staff to issue a Request for Proposal for Financial Audit and Tax Return Services for Berkeley Housing Authority (BHA) and Affordable Housing Berkeley (AHB) for Fiscal Years ending June 30, 2022, June 2023 and June 30, 2024 with two-one year options to renew for Fiscal Years ending June 30, 2025 an June 30, 2026; and

WHEREAS, six reputable CPA firms responded to our RFP by due date on January 19<sup>th</sup> 2022; and

WHEREAS, the Berkeley Housing Authority convened a panel of PHA Finance experts, to review and rate the proposals according to defined criteria and conduct an interview of the key staff of the top four accounting firms; and

WHEREAS, Smith Marion and Co, scored the highest of the responsive bidders; and

NOW, THEREFORE BE IT RESOLVED that the Acting Executive Director is authorized to execute a three year contract with two one-year options with Smith Marion and Co. to provide the Berkeley Housing Authority and Affordable Housing Berkeley, Inc. with Financial Audit and Tax Return Services, with contract authority of \$28,260 for FY 2021-2022; \$28,825 for FY 2022-2023 and 2023-2024; and \$29,402 for each of the option fiscal years, for a not to exceed cost of \$85,910 for the initial three years and \$58,804 for the two options years.

The foregoing Resolution was adopted by the Board of the Berkeley Housing Authority on February 10, 2022 by the following vote:

Ayes:

Noes:

Absent:

Attest: \_\_\_\_\_  
Rachel Gonzales-Levine, Secretary