



## Berkeley Housing Authority

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*Office of the Executive Director*

Item 7B  
NEW BUSINESS  
March 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 \$81,615 for the initial three years and \$55,864 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 to some referrals including one suggested by a BHA/AHB Board member. 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.

As is customary in the procurement process for public agencies, 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. Interviews of the top four highest scoring firms were held on February 1 and 4, 2022. Of the top four proposals received, one appears to be minority or women-owned.

On February 10<sup>th</sup>, the Board asked staff to submit additional information to support their recommendation to award the contract to Smith Marion & Co. Attachment 2 is an Interview and Overall Score Matrix that shows the summary of answers provided by the firm representatives for each of the interview questions; and average scores from three panelists. This report also includes the Total Score from the Interview (Col v), Pricing Score (Col w), Total Score (Col x) and Ranking (Col y). Attachment 3 is the Pricing Matrix that shows the proposed costs for each of the fiscal years covered in the RFP. Smith Marion & Co has extended a 5% discount from their original proposed quotes. Although Smith Marion & Co was not the lowest bidder, they ranked #1 in the overall score matrix report. (Attachment 3, col. y). With the new discount, Smith Marion & Co's bid is only \$3,400 higher than the 2<sup>nd</sup> highest scoring firm, but staff believes this expenditure will be worth the ability to access the firm's HUD/MTW/development auditing and tax expertise.

#### 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, Inc., 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 audit of the 2021-22 Audit engagement can get underway. Not approving this staff recommendation would put BHA/AHB in a difficult position of not having an auditing firm selected for a fiscal year that is three quarters complete by March 31, and audit firms are already lining their audit plan for agencies with similar year end as BHA.

### FINANCIAL IMPACTS OF RECOMMENDATION

Funds are budgeted annually for audit services expenditures in the appropriate audit expense line, \$26,847 for FY 2021-2022; \$27,384 for FY 2022-2023 and 2023-2024; and \$27,932 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
2. Interview and Overall Score Matrix
3. Pricing Matrix

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 \$81,615 FOR THE INITIAL THREE YEARS AND \$55,864 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 and 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 \$26,847 for FY 2021-2022; \$27,384 for FY 2022-2023 and 2023-2024; and \$27,932 for each of the option fiscal years, for a not to exceed cost of \$81,615 for the initial three years and \$55,864 for the two options years.

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

Ayes:

Noes:

Absent:

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

BERKELEY HOUSING AUTHORITY  
Interview and Overall Score Matrix

Audit & Tax Public Accounting Firms

02/2022

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
FIRM	1.Describe how the financial audit and tax return preparation will be planned and scheduled, including submission of key deliverables and meeting the deadlines. (1-10 Points)	1. Score	2.If your firm is chosen, describe the process of pre-fieldwork, including understanding Berkeley Housing Authority. (1-10 Points)	2. Score	3.How much field work will your firm expect to spend on this audit? What will be your focus of this field work? With the pandemic, how will you adjust your audit approach? (1-10 Points)	3. Score	4.Describe your approach to working with management. How would you deal with areas in which you and management disagree? (1-10 Points)	4. Score	5.What would your firm do if management, legal counsel or others made you aware of anything that could be considered a violation of laws, regulations, GAAP, professional practice or business ethics? (1-10 Points)	5. Score
<b>Smith Marion Co. - Redlands, Ca</b>	Clear process and timeline. Engagement Organizer platform used for secure document submission. Minimally invasive. 7-8 California PHAs.	9.67	First year, expected to be more detailed inc. staff interview. Have clients using Elite. 2-3 days to sample, 2-3 days to compile draft. MTW/Non-profit knowledgeable.	9.67	1-2 weeks to complete field work. Flexible/hybrid approach available for onsite visits. Approx 2 days on-site testing/review of tenant files, if needed.	9.67	All findings will be reported. Constant communication - emails, cp, text, teams. Usually not a whole lot of disagreement. For internal control issue - investigate, discuss and agree. Recommendations on resolving the matter.	9.00	Full documentation. Open full or special investigations into all allegations. If ED was under investigation, report to Board and work with the Board.	9.67
<b>Harshwal - Oakland, CA</b>	Will meet deadline for submission. Suralink is used for secure, easy submission of documents. Engagement letter, audit prof guide - all docs. Call to upload docs. Testing. Samson - lead. Will prepare field word. Tax - in suralink. Tax submission. And REAC on time	8.67	2 weeks to finish, in house if necessary. Focused on compliance. Suralink - Drag and drop. Pre-field work. Review all docs. Done in office. Paper files- On site if necessary. Risk assessment. Internal control - disbursement/cash receipts review.	8.67	Audit prep guide. 3 days to complete field work. Main focus will be on HCV. Audit will be done remotely. Testing and planning based on internal controls. Risk assessments based to design and plan work. Done hundreds of audits remotely. Camera. Has mechanism and tool. Focus is compliance audit on the voucher. S8 main audit - different docs - insp, eligibility. Will do field work of files.	9.67	Disagreements on how you should treat accounts. Acctg Standards to support what they are thinking. Try to find the middle ground. Depends on materiality.	7.33	Evaluate situation and investigate; Open an independent review based on accounting standards. Depending on the severity or materiality - audit finding disclosure.	9.00
<b>Novogradac - New Jersey</b>	30-45 days to complete after REAC downloaded from HUD. Weekly check-ins; open itmes list. 65 PHAs - 10 people working primarily with PHAs, Worked with Santa Barbad HA. 1st year a challenge, documentation, start 2-3 months before year end. request information re:internal control, compliance, financials. Speak w/ prev auditors. With staff size, can meet timetable. Utilizes secure portal and in person for tenant file. cc everyone involved. Assists input of data to REAC.	9.67	Try to document internal control, test remotely. People that work on HA audits know HAs. Team in NJ knows exactly what to look. Forms, reports etc. Compliance unique to HA. Experience with Elite. First year expected to be cumbersome.	9.67	Test compliance. Approach is to keep client informed. Focus on RAD and voucher program. Everything done remote. Sampling done through secure portal or on site avail. Field work no more than one week. Staff know what to look for - inspections, HAP calculation, tenant files, etc. Crosswalk to FDS.	9.67	Audits are about materiality. FS are BHAs FS. Discrepancy will be raised. If material item is raised and not booked - could be included in report. Doc missing in file - may be considered. Admin Plan not followed may be a compliance issue. Not a "I gotcha guy". Work with mgt to discuss issues. Always a good working relationship with management. Always clarify with regulations and talk through.	9.00	Approach correct level of management with findings. Mr. Larsen has had direct exp. w/ findings at all levels. Depends on where allegations came from and how credible it is. . Assess validity. Govtaudit requires next level up approach. Ex. If staff is involved - inform mgt. if ED or Mgt Team is involved, investigate if credible and go to the Board. If involves Board - local prosecutor or HUD.	9.67
<b>Cropper Accountancy - Walnut Creek, CA</b>	Institution knowledge. Higher quality audit. Boutique firm with prized continuity. Suite of technology tools used to submit audit documents. AB 1345 passed by Ca, requires the rotation of CA partners after 6 years of time. The AICPA and PCAOB - enhance auditor independence.. No correlation between tenure, mandatory audit rotation - costly and unintended consequences. Why not time to change. First significant year for AHB. Higher quality audit.	9.33	After engaged, - engagement letter, what we're supposed to do. Suralink - of what they need. Planning - 40% of entire amount of time. Risk analysis - key in audit. Compliance before audit field work.	9.00	Est. 250 hrs. field work with AHB. Focus on risk assessment on a higher level and new programs including non-profit addition. Already familiar with voucher program. Use of tech - suralink, conf.com, etc. Did not affect how they do things - affected timeline. Manager talking with those at the HA. Talk to management. Anything that is new that is coming up will be focused on.	9.67	Open line communication. Views are understood. Conversation early. Issues that are new. Understanding one another and communication early.. How do you keep up with new HUD rules - every May - Cal Society of CPA gov accountn - subscribe to research - new GASB (87) subscription, peer review - AHCPA - affordable housing cpa assoc. Up to date with GASB pronouncements	8.00	Report to level above. Ex: Management level finding would be reported to Board . Depends on what the issue and severity.	9.00

(a)	(l)	(m)	(n)	(o)	(p)	(q)	(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)
FIRM	6.What are your major observations or lessons about the financial challenges and/or opportunities for our type of public housing authorities? As you may be aware, we are a Section 8 only PHA, and recently have established our own non-profit affiliate that aims to be the development arm of BHA. (1-10 Points)	6. Score	7.Describe your work with other public housing authorities of a similar size and business model to ours? BHA was recently selected to the Landlord Incentive Cohort of the MTW Program. Could you describe your firm's experience in working with MTW PHAs? Describe your firm's low income housing tax credit experience. (1-10 Points)	7. Score	8.Describe any other areas where you feel your firm is unique or your approach can add value to our organization? (1-10 Points)	8. Score	9.What is your HUD rejection rate of FDS submission? How do you work with your public housing authority clients on responses to HUD, and describe your approach if you and HUD disagree on authoritative guidance. (1-10 Points)	9. Score	10.What are examples of insightful management recommendations that you have made to prior housing authority audit clients? (1-10 Points)	10. Score	Score Total Interview	Pricing - Score	Total Score	Rank
<b>Smith Marion Co. - Redlands, Ca</b>	Challenges include EHV, CARES funds reporting resulting in REAC rejection. VMS system does not tie with FDS. LIHTC expert in-house.	9.33	MTW expertise - from simple to extremely complicated MTW clients. Smith & Marion can assist with set up/training of MTW program. Dealt with San Bernardino County HA with complex MTW. Tax Credit experience.	9.67	SM Seal connect - PHA Portal for network building. Open discussion professional group. Experts in all areas.	8.67	Pretty hard this year. Different check list. Ultimately - 100% acceptance rate at end of year. If disagreement with HUD, -directly line with REAC Director to discuss findings and resolutions.	9.67	How to do CFP program. Assisted 30-40% of clients that chose to use their tool to convert unaudited TB to FDS format. Provide guidance at no charge. Provides tips for successful FDS submission.	8.67	93.67	18.48	112.15	1
<b>Harshwal - Oakland, CA</b>	S8 - inspection - waivers. Challenges - covid. Opportunities - budget. Suggestions, recommendations to streamline process. Harshwal does not anticipate challenges, as both Harshwal and BHA are established agencies.	7.33	Exp. Auditing HACA. Currently working with Native American Tribal housing client with expensive tax credits. One of clients set up NP - tax credits programs. Understand the process. Tribal Housing Authority - 18 LLC.	7.00	GASB/GAAP expertise. Subscription with HUD regs - changes . Subscription & membership with AICPA. Open communication.	6.33	Rejections are minimal. Harshwal will work with BHA to resolve rejection issues. "Just do what HUD wants". Rejections may happen because of minor things. Rejection rate was high in 2014- started dealing with HUD. Resolved what HUD wanted. 2015 - changed mapping. Adopted hud wanted.	8.67	Butte Cty and HACA - provided system access . Recommended to Butte. Employee turnover - be nice and generous. Keep people happy. Recommendation to streamline and digitize documents.	7.33	80	23.59	103.59	4
<b>Novogradac - New Jersey</b>	Million \$ question. PHAs are dependent on fed \$ . - Strategize to defederalize and become less dep on HUD . Defederalized and generate own revenue. Go into affordable housing opportunities. If need seed money to buy - donated, gap funding, - etc. depending on your need. Past 10-15 years observed the need for PHA's to defederalize and diversify. Generate non-federal money. Look at needs of the community	9.33	Currently working with other MTW PHA's in CA. Recognized expert in HA Tax Credit & Affordable Housing. More opportunities with non-profit. MTW - originally only 30 HA in the country awarded with MTW. Worked in W-DC HA and Cambridge HA. Tax Credits - Novogradac is the leading firm in the country Tax Credit. Published handbook on Tax credits. Has 60 partners - expert. Affordable Hsg Conf in SF this April. #1 firm in CA and nationwide with tax credit expertise.	10.00	90% of his time is PHA. This is what he does! Notice from HUD he gets, read and flow to clients. Webinar - with HUD. Cost Allocations. .Novogradac publishes Journal of Tax Credit. Hosts Pod Casts and Webinars for clients.	8.67	Rejection rate less than 10%. Speaks with HUD re rejections. Communicate with client. HUD reviewers/analysts are different. What is acceptable for one may not be for another. Rejections are corrected and resubmitted.	9.67	How to go forward with a non-profit set up. Defederalize funds. See new opportunities in affordable housing. How to generate additional funding using property development. Segregation of duties.	8.67	94	17.83	111.83	2
<b>Cropper Accountancy - Walnut Creek, CA</b>	Opportunities for funding out there. PHA received \$12M to buy a Motel 6. Discuss ideas	7.67	Working with clients moving in the same direction as BHA. Cropper was introduced to MTW program a few years ago - Reno HA. Low Income Housing Tax credit - worked with experts.	8.00	Team player, they have time for clients. People stay in their firm. Purposely a small firm. Philosophy is to learn together. Established relationship with BHA. Boutique style firm; purposefully small. 20% cost advantage as incumbent Auditor	8.00	FDS submissions tend to be 100%. Any revisions will be made, no need to disagree with HUD. Change in HUD personnel led to rejection.	8.67	Industry discussions. To change how clients wire money. Streamline process for efficiencies.	7.67	85.00	21.09	106.09	3

**Attachment 3**

EVALUATION OF PROPOSALS TO PERFORM AUDIT AND TAX SERVICES					
PRICING MATRIX					
FIRMS					
Firm Name Location Number Count	Smith Marion Redlands CA 1	Harshwal Oakland CA 2	Cropper Walnut Creek, CA 3	Novogradac New Jersey 4	Comments
<b>FEE PROPOSALS</b>					
Pricing Year 1	<b>26,847</b>	<b>19,900</b>	<b>27,000</b>	<b>23,700</b>	
Pricing Year 2	<b>27,384</b>	<b>20,700</b>	<b>27,750</b>	<b>23,700</b>	
Pricing Year 3	<b>27,384</b>	<b>21,500</b>	<b>28,500</b>	<b>23,700</b>	
Pricing Year 4	<b>27,932</b>	<b>22,360</b>	<b>29,250</b>	<b>24,700</b>	
Pricing Year 5	<b>27,932</b>	<b>23,255</b>	<b>30,000</b>	<b>24,700</b>	
Total	\$ 137,478	\$ 107,715	\$ 142,500	\$ 120,500	
<b>Average Per Year</b>	<b>27,496</b>	<b>21,543</b>	<b>28,500</b>	<b>24,100</b>	<b>25,409.67</b>
Points/Score	18.48	23.59	17.83	21.09	
Rank Per Pricing	<b>3</b>	<b>1</b>	<b>4</b>	<b>2</b>	