Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Pierce County Housing Authority

For the period January 1, 2023 through December 31, 2023

Published June 30, 2025

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Office of the Washington State Auditor
Pat McCarthy

June 30, 2025

Board of Commissioners
Pierce County Housing Authority
Puyallup, 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 Housing 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 Housing 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 value your cooperation during the audit.

Sincerely,

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

Americans with Disabilities

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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, Housing 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 electronic fund transfers and information technology (IT) security that we communicated to Housing Authority management and the Board of Commissioners in a letter and a separate confidential communication dated June 24, 2025. Because public distribution of certain tests performed and the related results could increase risk to the Housing Authority's IT security, distribution of that information has been limited to management of the Housing Authority and is kept confidential under RCW 42.56.420. We appreciate the Housing 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 Pierce County Housing Authority from January 1, 2023 through December 31, 2023.

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 Washington State Auditor to examine the financial affairs of all local governments. Our audit involved obtaining evidence about the Housing 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, 2023, the areas examined were those representing the highest risk of fraud, loss, abuse, or noncompliance. We examined the following areas during this audit period:

- System conversion – general ledger and subledgers
- Accounts payable – electronic fund transfers, general disbursements and allowability of transfers
- Surplus property – disposition and receipt of sales proceeds
- Financial condition – reviewing for indications of financial distress
- Open public meetings – compliance with minutes, meetings and executive session requirements

Pierce County
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Pierce County Housing Authority
January 1, 2023 through December 31, 2023

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

Audit Period: 1/1/2021 – 12/31/2022	**Report Ref. No.**: 1034302	**Finding Ref. No.**: 2022-001

Finding Caption:
The Housing Authority should continue to design and implement internal controls to ensure proper segregation of duties and oversight of its financial activities.

Background:
The Housing Authority experienced a significant fraud that required key management roles to be replaced and trained, which impaired its ability to ensure internal controls were adequate. Additionally, the Housing Authority started to implement a new enterprise resource planning (ERP) system to segregate duties, but the implementation is still in progress due to the system's complexity, which exceeded the expertise and capacity of Housing Authority staff.

During the current audit, we found that management and the Board have taken steps to respond to the internal control weaknesses identified in the prior audits and fraud investigation. Specifically, the Housing Authority:

- Hired a new, permanent Finance Director in February 2023
- Started the process of implementing a new financial system and establishing new controls for all modules
- Created a Finance Committee that meets monthly to review financial reports with executive leadership and staff

However, the Housing Authority was unable to fully implement these new internal controls during the current audit period. As a result, we found the following weaknesses continued to exist with segregation of duties within the new financial system:

- Housing Authority staff are now reviewing individual Automated Clearing House (ACH) payment amounts. However, they are still developing controls to ensure amounts are transferred to the intended accounts, are valid and appropriate.
- The Housing Authority has developed a reporting process for providing financial information to the Board, but there are still more reports it plans to provide to make the financial information more complete

Status of Corrective Action: (check one)

☒ Fully Corrected	☐ Partially Corrected	☐ Not Corrected	☐ Finding is considered no longer valid

Corrective Action Taken:

Segregation of duties:

The Housing Authority has implemented the essential modules in the new ERP, Yardi. Permissions and Access have been restricted and a written policy and procedure for assigning, reviewing, and removing access has been created. User permissions and access align with current user roles.

Bank statement reconciliations and Automated Clearing House (ACH) payments:

The Housing Authority has assigned the Finance Director as the staff member with permissions to only post all finance related entries in Yardi and is restricted from entering batches. All entries are created by finance staff including accounts payable batches, accounts receivable batches, and journal entries are reviewed, approved, and posted by the Finance Director. The Finance Director reviews and approves all bank transfers, check batches, and ACH transactions created by finance staff prior to approval of payment. A secondary review and reconciling of all ACH payments is done by the finance staff member who reconciles bank accounts. The secondary review takes place during the bank reconciliation process and consists of accounts payable, accounts receivable, journal entries, and bank transfer reports. These entries are reviewed against source documents to verify that the vendor, landlord, and nature of the transaction are correct. All PCHA's bank accounts are set up to have dual administrators and require administrative approval for all changes. All ACH batches require approval from an administrator and cannot be created and approved by the same user.

The Housing Authority restricts access to landlord, tenant, and vendor bank information via user permissions in Yardi. Banking information is submitted to specific Housing Authority Finance and Supported Housing staff members either by Landlords (through the Rent Café portal) or by vendors with an improved vendor setup bank deposit form. The two staff positions who receive this information have no permission in the system to generate, edit, or approve payables, and any duty re-assignation for the staff in these roles triggers audits of recent vendor/landlord account activity. The Landlord and vendor bank information is reviewed and confirmed via the contact information in Yardi. A final review takes place when an audit report from Yardi is pulled monthly by the Deputy Executive Director to review the changes made to vendor banking information. Regular audits of changes made to landlord accounts and vendor accounts are reviewed on a quarterly basis.

Board Oversight:

The Housing Authority finalized the reporting package for the Board of Commissioners, which consists of a cash on hand report, a written financial report, company-wide financial statements, Housing Choice Voucher financial statements, and component unit financial statements. The financial reporting package is reviewed in detail by the Board of Commissioners' Finance Committee prior to the monthly Regular Board meeting. The Voucher Approval and the financial reporting package are then given a secondary review by all Commissioners at the board meeting, along with any additional information requested by the Finance Committee, for their approval.

<table>
<tr><td>Audit Period:
1/1/2021 – 12/31/2022</td><td>Report Ref. No.:
1034302</td><td>Finding Ref. No.:
2022-002</td></tr>
<tr><td colspan="3">Finding Caption:
The Housing Authority did not have adequate internal controls over its general ledger reconciliation.</td></tr>
<tr><td colspan="3">Background:
We performed limited audit work over the new system conversion and identified the following deficiencies. The Housing Authority:
Did not verify or retain audit evidence that the reconciliation from the old legacy system to the new system was complete and accurate. Instead, the Housing Authority relied solely on external consultants for the system conversion.
Has not fully reconciled all tenant subledger accounts from the legacy system to the new system, nor has it established a plan to fully reconcile tenant subledger accounts, including accounts receivable, security deposits and prepay accounts.</td></tr>
<tr><td colspan="3">Status of Corrective Action: (check one)
☒ Fully Corrected ☐ Partially Corrected ☐ Not Corrected ☐ Finding is considered no longer valid</td></tr>
<tr><td colspan="3">Corrective Action Taken:
The Housing Authority has reviewed the tenant subledgers accounts from the legacy system and made corrections to the tenant subledger for accounts receivable, security deposits, and prepay accounts. The outside CPA firm contracted by PCHA for conversion oversight contributed to this correction and submitted a spreadsheet detailing differences found between the legacy ERP data and the information that had been transitioned into Yardi. Internal staff in the Housing Authority's Affordable Housing Department with subject-matter expertise reviewed the spreadsheet documenting these discrepancies and the historic/current tenant ledgers and input the finalized corrections to ledgers where applicable. All tenant ledgers have been reviewed, all conversion-era corrections have been completed, and the accounts are fully reconciled between the legacy system and Yardi.</td></tr>
</table>

RELATED REPORTS

Financial

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

Federal grant programs

We evaluated internal controls and tested compliance with the federal program requirements, as applicable, for the Housing Authority's major federal program, which is listed in the Schedule of Findings and Questioned Costs section of the separate financial statement and single audit report.

Other reports

We issued a report on agreed-upon procedures performed at the Housing Authority. That report is available on our website, https://portal.sao.wa.gov//ReportSearch.

INFORMATION ABOUT THE HOUSING AUTHORITY

The Pierce County Housing Authority was created to provide housing opportunities for eligible individuals within Pierce County. The Housing Authority owned and managed 9 apartment communities with a total of 688 units plus an additional 115 single family homes in their public housing portfolio for a total of 803 units at the end of 2023. The Housing Authority also provides housing assistance through the Low Income Public Housing and Housing Choice Voucher programs for residents of Pierce County.

An appointed, five-member Board of Commissioners governs the Housing Authority. Five Commissioners are appointed by the Pierce County Executive and a program participant is appointed by the Board. The Board appoints an Executive Director to oversee the Authority's daily operations as well as its approximately 50 employees. For fiscal year 2023, operating expenses were approximately $45.7 million.

Contact information related to this report	
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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Pierce County Housing Authority at https://portal.sao.wa.gov//ReportSearch.

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

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