

SPECIAL SESSION AGENDA

**November 14, 2019
Teleconference**

		<u>Res. #</u>
9:00 a.m.	I. <u>ITEMS REQUIRING DELIBERATION and/or ACTION</u> 1. State Delegation Legislation Discussion – Housing Opportunities Commission Position Statements <ul style="list-style-type: none"> • MC 1 - 20: Selection of Chair • MC 2 - 20: Alterations • MC 5 - 20: Procurement • MC 21 – 20: Contracting out Services - Requirement 	
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Page 8	2. Acceptance of HOC Fiscal Year 2019 (FY' 19) Audited Financial Statements, Single Audit Report, and Management Letter	19-106(pg 12)

NOTES:

1. This Agenda is subject to change without notice.
2. Public participation is permitted on Agenda items in the same manner as if the Commission was holding a legislative-type Public Hearing.
3. Times are approximate and may vary depending on length of discussion.
4. *These items are listed "For Future Action" to give advance notice of coming Agenda topics and not for action at this meeting.
5. Commission briefing materials are available in the Commission offices the Monday prior to a Wednesday meeting.

If you require any aids or services to fully participate in this meeting, please call (240) 627-9425 or email commissioners@hocmc.org.

MC 1-20: Housing Opportunities Commission – Selection of Chair

HOC Position Statement

The Housing Opportunities Commission opposes MC 1-20 as it gives the appearance that HOC is not only a County agency, but also susceptible to political influence. Commissioners on HOC's Board are nominated by the County Executive and confirmed by the County Council. Commissioners serve in an unpaid volunteer capacity and annually elect from among themselves a Chair, Vice Chair, and Chair Pro Tem of the Commission. Commissioners are chosen for their professional backgrounds and the contribution they are able to make to the Commission, including selection of a Chair with the requisite knowledge and skills to lead the Board.

HOC is a quasi-governmental, independent agency whose mission is to provide affordable housing and supportive services that enhance the lives of low- and moderate-income families and individuals throughout Montgomery County, Maryland. Often, the communities HOC creates and supports are not initially revered or appreciated by neighbors – attitudes that usually dissipate or disappear after developments are occupied and integrated into the community, but a hurdle to increasing affordable housing in Montgomery County, nonetheless.

In order to keep decisions about affordable housing and supportive services for the Montgomery County citizens who need them separate and apart from “not in my backyard” attitudes and to assure the long-term financial stability of the agency, HOC remains an independent agency. The Board selection process is subject to checks and balances by both the Executive and the Council. In order to maintain that independence, free from politicization, Board leadership should continue to be selected by the Commissioners themselves. This practice has proven success for the agency – supporting a rotation of Commissioners to ensure diverse perspectives in the Chair position.

Additionally, MC 1-20 is silent as to the frequency with which the County Executive would select a new Chair of the Commission. Currently, the County Executive and County Council nominate and confirm Commissioners for five-year terms. As previously stated, the Commission's practice of annually electing new officers ensures diverse perspectives in Commission leadership and is a process worth preserving.

Furthermore, Maryland state enabling legislation limits selection of the Commission Chair by the chief elected official to the initial activation of the housing authority. State law explicitly delegates the responsibility to choose the Chair to the housing authority, thereafter. Absent any prevailing issues that warrant changes to the Chair selection process, that authority should remain with the housing authority. No other housing authority in the State of Maryland has been stripped of its ability to independently select its Board leadership from within the Commission, and the agency is unaware of any other independent agency with a volunteer board in the State of Maryland that has leadership selected in this way.

MC 2-20: Housing Opportunities Commission - Alterations

HOC Position Statement

The Housing Opportunities Commission generally supports the intent and spirit of MC 2-20. As always, the agency welcomes the opportunity to work with partners at the federal, state and county levels to increase efficiency, effectiveness and transparency in service to our customers and the citizens of Montgomery County.

In fact, many of the requirements in MC 2-20 are already in practice, including posting approved meeting minutes to HOC's website and streaming live video of open Commission meetings. While the agency seeks to cooperate with all efforts that support transparency and public accountability, HOC requests modifications to the bill to recognize existing processes and acknowledge the efforts that will be necessary to comply with the bill.

First, the timing under which MC 2-20 requests review of HOC's budget is not consistent with HOC's or the County's budget process. The ability to review a draft budget implies that there is a funding stream to be monitored by a reviewing entity. In this case, HOC receives no funds from the State that would be subject to this review process. The agency suggests changing the language regarding provision of the budget to the Montgomery County Delegation and to the public to coincide with the final approval of portions of HOC's budget by the Montgomery County Council, HOC Board of Commissioners, and acceptance of the agency's audit. Aligning the proposed legislation with this process would also require extending the provision date to December 31 rather than November 30 of each year. HOC budgets and audits are already made public after Commission approval and can be found on the agency's website.

Second, HOC supports the creation of a searchable procurement database but requests that the implementation date be extended to allow the agency to build the required technological framework and ensure compliance with ADA and other requirements.

MC 5-20: Housing Opportunities Commission - Procurement

HOC Position Statement

The Housing Opportunities Commission opposes MC 5-20.

Generally accepted financial oversight calls for agencies and organizations to follow the procurement regulations and policies of the entity providing the funds. HOC receives a majority of its funding from the federal Department of Housing and Urban Development (HUD). Purchases made using federal funds are required to follow the federal regulations and policies. HOC does not receive funds from the State; thus, State legislation regarding its purchasing policies is not in order. HOC receives a small portion of its budget from the County as grant funds for specific programs, not discretionary funds to be used for purchasing goods and services. Thus, it does not follow that HOC should become subject to Montgomery County procurement provisions.

HOC has a well-established procurement policy it uses to govern purchasing with all other discretionary funds not received from the federal government. Furthermore, the agency is subject to oversight through annual financial audits with findings published on the agency's website. Passage of MC 5-20, as it stands, would make HOC subject to local procurement regulations that would likely deprive the agency of its independent status – an important position for ensuring the agency can remain free from political influence and flexible in its ability to act quickly to provide and preserve affordable housing opportunities in Montgomery County.

MC 21-20: Housing Opportunities Commission - Contracting Out Services - Requirements

HOC Position Statement

The Housing Opportunities Commission opposes MC 21-20.

The Services Contract Act was passed and applied to Montgomery County Government in 2006. In 2008, similar legislation under the Services Contract Act was applied to the Housing Opportunities Commission through state law.

Between 1999 and 2019, HOC and MCGEO have successfully negotiated six (6) collective bargaining agreements with very few grievances reaching arbitration. Since 1999, the represented workforce has increased from 235 to 242.6 work years.

Given the growth in HOC's workforce subsequent to application of the Services Contract Act to the agency, HOC fails to see the problem this legislation purports to solve. In its history, HOC has never undertaken a service contract that adversely impacted employees. Even when federal cuts due to Sequestration forced the elimination of seven (7) federally funded inspector positions, HOC management offered comparable alternative placements for all affected employees, most of whom stayed with the agency after the transition.

In fact, the effect of MC 21-20 will be to legislate and politicize what has historically been a successful collective bargaining process. The purpose of collective bargaining is to bring both sides - employer and employees - to the table in good faith to negotiate terms and conditions of employment. Attempting to legislate a set of requirements applicable to a single agency in advance of a negotiation and insert binding interest arbitration on an issue where an appeal and review process already exists undermines the intent, spirit and practice of good faith bargaining.

Furthermore, MC 21-20 improperly vests final decision-making authority on an issue with budgetary implications in the Labor Relations Administrator, who is neither elected nor appointed by elected officials. Ultimately, HOC's Board of Commissioners - volunteers who are nominated by the County Executive, confirmed by the County Council, and committed to representing the interests of HOC's

customers and mission to provide affordable housing - must maintain the ability to review and approve or reject decisions with a fiscal impact on the agency and those it serves.

HOC also urges the County Council to consider the broader ramifications of MC 21-20. The changes to the Services Contract Act proposed in MC 21-20 for HOC do not exist at the Montgomery County Government level, nor to our knowledge with any other agency or government entity in the State of Maryland. Passage of the bill will likely make MC 21-20 a model for changes to all agencies at both the County and State levels. It is unclear whether the consequences of this approach have been properly analyzed at the County and State levels.

Acceptance of HOC FY'19 Audited Financial Statements, Single Audit Report, and Management Letter

November 14, 2019

- HOC received an unqualified audit opinion on the Financial Statement Audit.
- HOC received an unqualified audit opinion on the Housing Choice Voucher Program; the Continuum of Care Program; the Section 8 Project Based Cluster Program and the Housing Finance Agencies Risk Sharing Program.
- There are significant deficiencies reported in the internal controls over compliance for the Housing Choice Voucher Program and the Section 8 Project Based Cluster Program.
- HOC received a Management Letter with two items: (1) Audits of Blended Component Units; (2) Contributions to Pension Subsequent to Measurement Date.

MEMORANDUM

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Cornelia Kent, Chief Financial Officer Finance Ext. 9754
Eugenia Pascual, Controller Finance Ext. 9478
Francisco Vega, Assistant Controller Finance Ext. 4873

RE: Acceptance of HOC FY'19 Audited Financial Statements, Single Audit Report, and Management Letter

DATE: November 14, 2019

STATUS: Deliberation X

OVERALL GOAL & OBJECTIVE:

Acceptance of the FY'19 Audited Financial Statements, Single Audit Report, and Management Letter of the Housing Opportunities Commission (HOC). The Audited Financial Statements must be published by December 1, 2019.

BACKGROUND:

HOC's auditor, CliftonLarsonAllen LLP (CLA), prepared the results of the FY'19 Audited Financial Statements, Single Audit Report, and Management Letter. Each Commissioner has had an opportunity to review the audit and request additional information from the auditor.

ISSUES FOR CONSIDERATION:

Financial Statement Audit

The Commission received an unqualified audit opinion on the financial statements for the year ended June 30, 2019. A draft of Management's Discussion and Analysis (MD&A) is included with this memorandum. The MD&A is intended to provide the reader with an overview and analysis of the financial activities of the Commission for the year ended June 30, 2019.

The financial statements for HOC's tax credit component units are presented on separate pages. The information is based on each tax credit partnership's audited financial statement as of December 31, 2018 with the exception of the Strathmore Court Limited Partnership and The Metropolitan Limited Partnership which are presented as of June 30, 2019.

Single Audit Report

Attached is the final draft of the Single Audit Report for FY'19. No changes are expected. HOC received an unqualified opinion on the housing choice voucher program, the Continuum of Care program, the Section 8 Project Based Cluster Program and the Housing Finance Agencies Risk Sharing Program. There are significant deficiencies reported in the internal control over compliance for the Housing Choice Voucher Program, and the Section 8 Project Based Cluster Program.

Finding 2019-001: Housing Choice Voucher Cluster, CFDA No. 14.871/14.879

Condition/Context: During our testing, we noted the Commission's internal controls did not always ensure that tenant files included all required documentation. We also noted that income and expenses were not always properly calculated, and as a result, HAP expense was not always properly calculated.

Management's Action Taken in Response to Finding: The Commission acknowledges the eligibility finding and continues to address the issue. The HRD Management Team along with the Compliance Team will continue to conduct monthly trainings and quality control reviews. Systemic findings will be discussed in monthly staff meetings and non-systemic errors will be addressed individually. Staff with poor performance will be held accountable for their work and counseled pursuant to the HOC Collective Bargaining Agreement and Personnel Policy. Staff have demonstrated improvement in the quality of work, as three of the seven identified errors were for actions processed in fiscal year 2018 though reflected on the fiscal year 2019 HAP register.

Lynn Hayes is the contact responsible for this corrective action.

Finding 2019-002: Housing Choice Voucher Cluster, CFDA No. 14.871/14.879

Condition/Context: During our testing, we noted that the Commission's internal controls did not always ensure that annual inspections or failed inspections were performed timely and/or properly documented.

Management's Action Taken in Response to Finding: The Commission has continued to make modifications to the inspection procedures. The modifications include, but are not limited to:

- Regularly meeting with and working close to our third party vendor(s).
- Providing all internal staff with HQS training.
- Ensuring inspections are scheduled timely.
- Weekly reporting on inspection schedules.
- Upgrading the mailing policy to ensure notices are mailed, emailed and detailed inspection information is provided via our external client portal.

Renee Harris is the contact responsible for this corrective action.

Finding 2019-003: Section 8 Project Based Cluster

Condition/Context: During our testing, we noted that the Commission’s internal controls did not always ensure that annual inspections were performed timely and/or properly documented.

Management’s Action Taken in Response to Finding: HOC acknowledges and accepts the finding for not performing an annual inspection on one of our Project Based Cluster units. The Property Management Team along with the Compliance Team will coordinate to ensure proper internal controls are in place to conduct timely annual inspections and quarterly control reviews.

Charnita Jackson is the contact responsible for the corrective action.

Management Letter

A requirement when performing an audit of an entity’s financial statements is to write a Management Letter which communicates audit related findings related to internal controls to Management’s Commission as required by SAS No. 112.

The Commission received Management Letter comments in the following areas: Audits of Blended Component Units and Contributions to Pension Subsequent to Measurement Date. Please see attached letter and management’s response.

BUDGET IMPACT:

None. A funding source for the audit is budgeted during the HOC budget process each year.

TIME FRAME:

Action is requested at the November 14, 2019 Commission meeting. The Audited Financial Statements must be published by December 1, 2019.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends to the full Commission acceptance of the HOC FY’19 Audited Financial Statements, Single Audit Report, and Management Letter.

RESOLUTION NO. 19-106

**RE: Acceptance of HOC FY'19
Audited Financial Statements
Single Audit Report, and
Management Letter**

WHEREAS, the independent auditors, CliftonLarsonAllen LLP, presented their report for FY'19, which included the FY'19 Audited Financial Statements, Single Audit Report, and Management Letter, to the Housing Opportunities Commission of Montgomery County (the "Commission"); and

WHEREAS, at a meeting held on November 14, 2019, the Commission reviewed the FY'19 Audited Financial Statements, Single Audit Report, and Management Letter.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Commission accepts the FY'19 Audited Financial Statements, Single Audit Report, and Management Letter prepared by CliftonLarsonAllen LLP.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at a special session conducted on November 14, 2019.

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**Patrice M. Birdsong
Special Assistant to the Commission**