

June 26, 2019

To Management and the Budget and Administrative  
Committee of the National Association of Housing  
and Redevelopment Officials and Affiliate

In planning and performing our audit of the consolidated financial statements of the National Association of Housing and Redevelopment Officials and Affiliate (collectively referred to as the Association) as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

The Association's written response to the management letter comment identified in our audit has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we express no opinion on the response.

#### **OTHER MATTERS**

During the audit, we became aware of several matters that represent opportunities for strengthening internal controls and operating efficiency. The following comments summarize our suggestions concerning these matters:

#### **Financial Close**

We observed that certain general ledger accounts such as accounts receivable, accounts payable and prepaid expenses had immaterial errors for which adjustments were made as part of the audit. We recommend that all general ledger account reconciliations be performed monthly and consistently in order to timely detect errors in financial statement reporting. Management's existing monthly closing checklist should be updated to include any omitted significant general ledger accounts to be reconciled.

*Management's Response:* Beginning with the May 2019 close, Chuck, Kim and the staff accountant will implement monthly reconciliations of all General Ledger accounts and will resolve any challenges

### **Evidence of Review**

The Association has a formal review process for the review of bank reconciliations; however, the evidence of the review of these documents is not being retained. Without evidence of review, there is no support that management has complied with approved policies and procedures. We recommend that management retain reviewed documents with reviewer signatures or a month-end checklist to ensure that internal control processes are in place and are being properly followed.

*Management's Response:* Beginning with March 2019 close, Chuck, Kim and the staff accountant will implement monthly reconciliations with approval required. Chuck will approve reconciliations prepared by Kim or the staff accountant, and Kim will approve those prepared by Chuck.

### **Investments**

The investment policy of the Association does address the broad categories in which the funds are to be invested, but the allocation range of the funds is not addressed. The policy also states that a portion of the portfolio should be invested in uninsured mutual funds but does not expand on the industries or market segments in which the mutual funds should be focused. The investment policy is designed to prevent the Association from assuming an excessively high level of market risk by limiting concentrations in a particular security and/or market segment. We recommend that the Association consider establishing a range for its target asset allocations and expand the policy to describe the desired industries for its mutual funds. We also recommend that management review the composition of the investment portfolio regularly to ensure that it is in compliance with the policies established. It is our understanding that management and the Budget and Administration Committee have resumed discussions on an updated investment policy.

*Management's Response:* The NAHRO Budget and Administration Committee has already begun its discussion on an updated NAHRO investment policy at its meeting on April 6. The Committee has targeted to recommend approval of an updated Investment Policy to the Board of Governors (BOG) by the end of 2019.

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This communication is intended solely for the information and use of management, the Board of Governors, and others within the Association, and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate the assistance extended to us by your staff during our audit and trust that the comments and suggestions contained herein will be received in the spirit of cooperation with which they are offered. We are available to assist you with the implementation of these suggestions at your request.

Sincerely,

  
Marcum LLP