

Revised: June 29, 2022



10400 Detrick Avenue  
Kensington, MD 20895-2484  
(240) 627-9425



## **BUDGET, FINANCE AND AUDIT COMMITTEE**

**June 29, 2022**

**2:00 p.m.**

Livestream: <https://youtu.be/03Oyf36cl-Q>

### **Approval of Minutes:**

Title	Page
1. <b>Minutes:</b> Approval of Budget, Finance and Audit Committee Minutes of May 24, 2022	3

### **Action/Discussion Items:**

Title	Page
1. <b>IT System Procurement:</b> Approval to Amend and Restate Resolution No. 02-113 to Provide for Administrative Extensions and Renewals to the Yardi Financial and Property Management System in Accordance with Section 16.2 of the Procurement Policy	9
2. Request for Additional Services under the Professional Auditing Services Contract (for GASB 87)	12

# Minutes

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY**  
**10400 Detrick Avenue**  
**Kensington, Maryland 20895**  
**(240) 627-9425**

**Budget, Finance and Audit Committee Minutes**

**May 24, 2022**

For the official record of the Housing Opportunities Commission of Montgomery County, an open meeting of the Budget, Finance and Audit Committee was conducted via an online platform and teleconference on Tuesday, May 24, 2022, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:02 a.m. There was a livestream of the meeting held on YouTube, available for viewing [here](#). Those in attendance were:

Present

Richard Y. Nelson, Jr., Chair – Budget, Finance and Audit Committee  
Frances Kelleher – Commissioner  
Jeffrey Merkowitz - Commissioner

Also Attending

Kayrine Brown, Acting Executive Director	Aisha Memon, General Counsel
Timothy Goetzinger, Acting Chief Financial Officer	Terri Fowler, Budget Officer
Eugenia Pascual, Contoller	Olutomi Adebo
Nathan Bovelie	Francisco Vega
Nilou Razeghi	Claudia Wilson
Jay Berkowitz	Zachary Marks
Vivian Ikoro	Ali Khademian
Fozia Malik	John Broullire
Niketa Patel	Gail Willison
Lynn Hayes	Marcus Ervin
Richard Freeman	Guidy Paul
Matt Husman	Leidi Reyes
Sewavi Agbodjan	

IT Support

Aries "AJ" Cruz

Commission Support

Patrice Birdsong, Spec. Asst. to Commission

The meeting was opened with a welcome and roll call of Commissioners who participate on the Committee, as well as the Acting Executive Director and various staff.

### **APPROVAL OF MINUTES**

The minutes of May 10, 2022, open session were approved as submitted with a motion by Commissioner Kelleher and seconded by Commissioner Merkowitz. Affirmative votes were cast by Commissioners Nelson, Kelleher, and Merkowitz.

### **ACTION/DISCUSSION ITEMS**

**1. Fiscal Year 2022 (FY'22) Third Quarter Budget to Actual Statement:** Presentation of the Third Quarter FY 2022 Budget to Actual Statement

Timothy Goetzinger, Chief Development Funds Officer/Acting Chief Financial Officer, introduced Tomi Adebo, Assistant Budget Officer, who provided a presentation to the Budget, Finance and Audit Committee recommending approval to submit the Third Quarter FY'22 Budget to Actual Statements to the full Commission for acceptance at its June 8, 2022 meeting. Staff addressed questions of the Commissioners. No action was taken.

**2. Fiscal Year 2022 (FY'22) Third Quarter Un-Audited Financial Statements:** Presentation of the Un-Audited Financial Statements for the Third Quarter Ended March 31, 2022

Timothy Goetzinger, Chief Development Funds Officer/Acting Chief Financial Officer, introduced Francisco Vega, Assistant Controller, who provided a presentation to the Budget, Finance and Audit Committee of the un-audited financial statements for the third quarter. Commissioner Kelleher commented on the HAP utilization and how well it was doing. No action was required.

**3. Calendar Year 2022 (CY'22) First Quarter Budget Amendment:** Presentation of the CY'22 First Quarter Budget Amendment for MetroPointe Apartments

Timothy Goetzinger, Chief Development Funds Officer/Acting Chief Financial Officer, introduced Terri Fowler, Budget Officer, who provided a presentation to the Budget, Finance and Audit Committee requesting the Committee's recommendation to the full Commission to approve the proposed Calendar Year 2022 First Quarter Budget Amendment for MetroPointe Limited Partnership. A motion was made by Commissioner Kelleher and seconded by Commissioner Merkowitz to move forward to the full Commission for approval at its June 8, 2022 meeting. Affirmative votes were cast by Commissioner Nelson, Kelleher, and Merkowitz.

**4. Uncollectable Tenant Accounts Receivable:** Presentation of Request to Write-Off  
Uncollectable Tenant Accounts Receivable (January 1, 2022 – March 31, 2022)

Timothy Goetzinger, Chief Development Funds Officer/Acting Chief Financial Officer, introduced Nilou Razeghi, Accounting Manager, who provided a presentation requesting the Budget, Finance and Audit Committee join staff's recommendation that the full Commission authorize the write-off of uncollectible tenant accounts receivables. Staff addressed Commissioners' comments and questions. A motion was made by Commissioners Merkowitz and seconded by Commissioner Kelleher to recommend to the full Commission for approval at its June 8, 2022 meeting. Affirmative votes were cast by Commissioners Nelson, Kelleher, and Merkowitz.

**5. Calendar Year 2021 Audits:** Presentation of Calendar Year 2021 Low Income Tax Credit  
Partnerships and Limited Liability Company Audits

Timothy Goetzinger, Chief Development Funds Officer/Acting Chief Financial Officer, introduced Niketa Patel, Accounting Manager, who provided a presentation requesting that the Budget, Finance and Audit Committee join staff's recommendation to the full Commission that it accept the 15 Calendar Year 2021 Tax Credit Partnership and CCL Multifamily, LLC Audits. Commissioners congratulated and thanked staff for their work during the audit. No action was taken.

**6. Extension of the Use of Credit Facilities:** Extend the use of the PNC Bank Line of Credit and the  
Real Estate Line of Credit to Finance Commission Approved Actions related to Montgomery  
Homes Limited Partnership (MHLP) VII, Fairfax Court Apartments, Lyttonsville (8800 Brookville  
Road), Lindsay Ford Holdings Site (Wheaton Gateway), HOC Fenwick & Second Headquarters,  
Brooke Park Apartments, MPDU I (64), Ambassador Apartments, Avondale Apartments and  
Year 15 LIHTC properties

Eugenia Pascual, Controller, provided a presentation requesting the Budget, Finance and Audit Committee join staff's recommendation to the full Commission to extend the use of the Line of Credit (LOC) and the Real Estate Line of Credit (RELOC) to finance Commission approved actions through June 30, 2023. Staff addressed questions of the Commissioners and was asked to further research deadline dates. A motion was made by Commissioner Kelleher and seconded by Commissioner Merkowitz to recommend to the full Commission for approval at its June 8, 2022 meeting. Affirmative votes were cast by Commissioners Nelson, Kelleher, and Merkowitz.

**7. Inspection Services Contract Extension:** Authorization to Extend Inspection Services Contract  
with Inspection Experts, Inc. ("IEI")

Lynn Hayes, Director of Housing Resources, introduced Ali Khademian, Program Coordinator, who provided a presentation requesting the Budget, Finance and Audit Committee join staff's

recommendation to the full Commission to renew the inspection services contract with Inspection Experts, Inc. for one year. There was detailed discussion among staff and Commissioners. Staff was reminded to plan accordingly when requesting renewals. A motion was made by Commissioner Kelleher and seconded by Commissioner Merkowitz to recommend to full Commission for approval at its June 8, 2022 meeting. Affirmative votes were cast by Commissioners Nelson, Kelleher, and Merkowitz.

**8. Procurement of Property Management Services:** Renewal of Property Management Contracts for Alexander House Development Corporation, Diamond Square Development Corporation, Brookside Glen Development Corporation, Glenmont Crossing Development Corporation, Glenmont Westerly Development Corporation, Wheaton Metro Development Corporation, and Oaks at Four Corners Development Corporation

Nathan Bovel, Chief Maintenance Officer/Acting Director of Property Management, introduced Jay Berkowitz, Asset Manager, who provided a presentation to the Budget, Finance and Audit Committee requesting approval of the Development Corporation Board of Directors to join staff's recommendation to approve property management contract renewals with Edgewood for Alexander House, Oaks at Four Corners, Brookside Glen, Glenmont Crossing, Glenmont Westerly; with Residential One for and Diamond Square; and with Bozzuto for Wheaton Metro (MetroPointe). A motion was made by Commissioner Merkowitz and seconded by Commissioner Kelleher to recommend to the full Commission for approval at its June 8, 2022 meeting. Affirmative votes were cast by Commissioners Nelson, Kelleher, and Merkowitz.

**9. Procurement of Property Management Services:** Renewal of Property Management Contracts for Alexander House, Cider Mill Apartments, Stewartown Homes, Westwood Towers, Fenton Silver Spring, and Wheaton Metro

Nathan Bovel, Chief Maintenance Officer/Acting Director of Property Management, introduced Jay Berkowitz, Asset Manager, who provided a presentation to the Budget, Finance and Audit Committee requesting approval to renew the property management service contracts for one year through June 30, 2023 at Cider Mill Apartments, Forest Oak Towers, Georgian Court, Greenhills Apartments, Stewartown Homes, and Westwood Towers, and the Renewal for Fenton Silver Spring through August 29, 2023. Staff addressed questions of the Commissioners. A motion was made by Commissioner Merkowitz and seconded by Commissioner Kelleher to recommend approval to the full Commission at the June 8, 2022 meeting. Affirmative votes were cast by Commissioners Nelson, Kelleher, and Merkowitz.

**10. Elizabeth House III: Approval to Procure Property Management Services**

Marcus Ervin, Director of Real Estate, provided a presentation to the Budget, Finance and Audit Committee recommending authorization for the Acting Executive Director to negotiate a Property

Management Agreement with Habitat America, LLC for property management services at Elizabeth House III. Staff address questions of the Commissioners. A motion was made by Commissioner Kelleher and seconded by Commissioner Merkowitz to forward the item to the full Commission for approval at the June 8, 2022 Commission Meeting. Affirmative votes were cast by Commissioner Nelson, Kelleher, and Merkowitz.

Based upon this report and there being no further business to come before this session of the Budget, Finance and Audit Committee, the meeting adjourned at 11:35 a.m.

Respectfully submitted,

Kayrine Brown  
Acting Secretary-Treasurer

/pmb

# Discussion Items





The Yardi contract is considered a “core” contract and is governed by the provisions of Appendix IV and Section 16 of the HOC Procurement Policy.

Appendix IV:

- Contracts for core functions and services such as telephone, technology systems, customer relations software and property management software, electronic mortgage application software system and single family mortgage database software will not be procured on a schedule but as needed.

Section 16.1 – Awarding Authority:

- All Awarding Authority under this Policy is vested in the Commission. However, the Commission may and has delegated procurement Awarding Authority to the Executive Director and other employees as provided in Appendix III. All procurement awards that exceed the limits set forth in Appendix III must be presented to and approved by the Commission prior to award and/or contract execution.

Section 16.2 – Renewals and Extensions:

- Except as may be required for contract provided for in Appendix IV....in instances in which the Commission has approved an award of a contract with authorization for extensions or renewals, the Executive Director may administratively renew or extend such contract even if the value of the contract exceeds the Executive Director's Awarding Authority unless the Commission, as part of the initial award, requires reconsideration or review prior to the renewal or extension.

The Authorizing Resolution met the requirements of Section 16.1; however, it did not expressly authorize renewals and therefore fails to meet the requirements of Section 16.2. Given that the Commission has been aware that the Yardi contract has been continuously renewed on an annual basis since the Authorizing Resolution was passed, it can be inferred that the Commission intended to include renewals in the Authorizing Resolution.

The new contract period will commence on July 1, 2022 and runs through June 30, 2023. Staff is requesting that the Commission clarify that the Authorizing Resolution intended to include extensions and renewals per Section 16.2 of the Procurement Policy.

The pending one-year renewal contract will incorporate two new products/features, which are Yardi Aspire (training) and RENTCafe PHA Portal Package; these were acquired separately on a prorated basis in FY2022. Pricing reflects a 3.0% cost of living increase as allowed in the agreement. The remainder of the contract is relatively unchanged and stipulates the same terms as the current agreement. The total amount of the contract is \$738,063.17.

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**ISSUES FOR CONSIDERATION:**

Does the Budget, Finance and Audit Committee wish to join staff’s recommendation to the Commission to the amendment and restatement of Resolution No. 02-113 to provide for

administrative extensions and renewals to the Yardi Financial and Property Management System in Accordance with Section 16.2 of the Procurement Policy?

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**PRINCIPALS:**

Housing Opportunities Commission of Montgomery County  
Yardi Systems, Inc.

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**BUDGET IMPACT:**

None for FY2022. The FY2023 Recommended Budget included \$788,400.00 in operating funds to support this contract renewal.

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**TIME FRAME:**

For discussion by the Budget, Finance and Audit Committee at its meeting on June 29, 2022. For formal Commission action on July 13, 2022.

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**STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:**

Staff recommends that the Budget, Finance and Audit Committee join staff's recommendation to the Housing Opportunities Commission of Montgomery County to the amendment and restatement of Resolution No. 02-113 to provide for administrative extensions and renewals to the Yardi Financial and Property Management System in Accordance with Section 16.2 of the Procurement Policy.

**MEMORANDUM**

**TO:** Housing Opportunities Commission of Montgomery County  
Budget, Finance & Audit Committee

**VIA:** Kayrine Brown, Acting Executive Director

**FROM:** Division: Finance  
Staff: Tim Goetzinger, Chief Development Funds Officer and Acting CFO  
Ext. 5763

**RE:** Request for Additional Services under the Professional Auditing Services Contract  
(for GASB 87)

**DATE:** June 29, 2022

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**BACKGROUND:**

On March 8, 2021, the Housing Opportunities Commission of Montgomery County (“HOC”) issued Request for Proposal (“RFP”) #2252 for Professional Auditing Services to public accounting firms to perform the Annual Combined Financial Audit of the Housing Opportunities Commission, including the Single Audit, seven Indenture Audits, and Agreed Upon Procedures when necessary. The term of the initial contract would be for two years, with three (3) one-year renewals subject to approval of the Commission, and outlined in the RFP. The renewals are subject to the satisfactory negotiation of terms, including price acceptable to both HOC and the selected firm, and the review by the Budget, Finance and Audit Committee and approval by HOC Board of Commissioners.

On December 8, 2021, the Commission selected CliftonLarsonAllen LLP (“CLA”) to be the auditor of the HOC for fiscal years 2022 and 2023 as evidenced by Resolution 21-117AS, “Approval of the Selection for Professional Auditing Services”. Approved fees for CLA were as follows:

**Audit Fees**

Fiscal Year	CLA Fees*
2022	\$232,239
2023	\$238,224
2024	\$245,424
2025	\$252,624
2026	\$259,824
<b>Five-Year Total</b>	<b>\$1,228,335</b>

\*Prices include all Bond Indenture Audits and one (1) annual Agreed Upon Procedures and Comfort Letter for a single bond issuance.

### **Rates for Additional Professional Services**

Request for Proposal #2252 for Professional Auditing Services included language regarding rates for additional professional services not explicitly covered under the RFP. Any such additional work agreed to between the HOC and CLA would be performed at the same rates set forth in the schedule of fees and expenses included in the firm's proposal. One such additional service - in connection with GASB 87, Leases - is required for the FY22 audit. At the time of the RFP, there was no way to determine what the cost to implement GASB 87 would be given that HOC had not yet performed an initial review of its inventory of leases. As such, no firms included fees related to GASB 87 in their proposals.

### **GASB Statement No. 87 ("GASB 87"), Leases**

The Government Accounting Standards Board ("GASB") is a private non-governmental organization that creates accounting reporting standards for state and local governments. The GASB is responsible for the generally accepted accounting principles. The board's mission is to promote clear, consistent, transparent, and comparable financial reporting.

GASB 87 is the new lease accounting standard and reporting standard established by GASB. It applies to state and local governments that use GASB standards for financial reporting. GASB 87 aims to increase the usefulness of governments' financial statements by requiring reporting of certain lease assets and liabilities that currently are not reported. It does not replace any existing standard but improves the current lease accounting reporting process. It was originally proposed in 2017, with an effective date of December 15, 2019, but it was delayed until June 15, 2021. For governmental entities, GASB 87 is to be implemented by fiscal year 2022. HOC is implementing GASB 87 within the required timeframe.

To assist HOC in timely implementing GASB 87 and related financial statements, CLA will deliver a turnkey lease solution providing all necessary services, advice and support. Specifically, CLA will:

- Provide HOC with an Excel-based CLA Import Template,
- Calculate the lease asset and lease liability (lease schedule) based on the lease information HOC provides to CLA in the CLA Import Template,
- Propose journal entries to record the lease asset and lease liability in accordance with GASB 87 and ASC 842, as applicable, and the related amortization/depreciation expense and lease/interest expense,
- Assist with drafting the related GASB 87 and ASC 842 financial statement disclosures, and
- Provide to HOC sufficient information to oversee the services, evaluate the adequacy and results of the services; accept responsibility for the results of the services and ensure HOC's data and records are complete.

### **Fees to Implement GASB 87**

CliftonLarsonAllen LLP's professional service fees are expected to be \$11,500 based on 620 total leases (500 lessor real estate, 80 lessee real estate and 40 auto) and is inclusive of both GASB and

FASB computations. CLA will also bill for expenses (including internal and administrative charges) plus a technology and client support fee of five percent (5%) of all professional fees billed. In addition to CLA’s professional service fees, CLA will bill a flat rate of \$100 for each lease maintained in its environment annually. Based on 620 leases, the fee will be \$62,000. The estimated first year total is \$73,500. A summary of these costs is presented below:

Description	Total Cost
Professional Service Fees	\$10,950
Admin, Tech and Client Support Fees	\$550
CLA Lease Software / System	\$62,000
<b>Total Year 1 Costs</b>	<b>\$73,500*</b>

\* Based on 620 total leases, including 500 lessor real estate, 80 lessee real estate and 40 auto.

It should be noted that the HOC has taken ownership of this project and has invested a considerable amount of staff time to review each lease to determine its applicability to GASB 87 and to populate reports and summaries for CLA’s analysis. The cost estimate stated above would be significantly higher had CLA performed the entire review. Additionally, the County’s two-year lease requirement, in which tenants are given the option to sign a two-year lease at lease commencement and renewal, has complicated the process and inflated the cost. GASB 87 applies only to leases with terms greater than one year, so a one-year lease is not accounted for in GASB 87. Two-year leases are. The initial estimate is based on 500 tenant leases (accounting for 80% of the total project cost). As mentioned previously, CLA will bill a flat rate of \$100 per lease, so if there are fewer leases, the cost will be less.

It is of the utmost importance that this analysis and financial reporting be done correctly and timely, which is why it is recommended that CLA perform this work and that the HOC utilize CLA’s lease system. HOC would receive a qualified opinion due to GAAP departure if GASB 87 were not included in the FY22 audit. Moving forward, the HOC will review other GASB 87 reporting systems to determine whether more cost-effective options are available.

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**ISSUES FOR CONSIDERATION:**

Does the Budget, Finance and Audit Committee join staff in its recommendation to the Commission to allow for additional services under the professional auditing services contract to include CLA’s GASB 87 turnkey lease solution?

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**PRINCIPALS:**

CliftonLarsonAllen LLP  
HOC

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**BUDGET IMPACT:**

There is no impact on the FY'22 Adopted Budget. There is an impact to the FY23 operating budget. Audit costs are paid from HOC's General Fund and this will be included in an amendment to the FY'23 budget.

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**TIME FRAME:**

For informal discussion at the June 29, 2022 Budget, Finance and Audit Committee meeting. For formal Commission action at the July 13, 2022 meeting.

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**STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:**

Staff recommends that the Budget, Finance and Audit Committee join its recommendation to the full Commission to allow for additional services under the professional auditing services contract to include CLA's GASB 87 turnkey lease solution.