

**FINANCIAL CAPABILITY ASSESSMENT REVIEW REPORT
OAK PARK REGIONAL HOUSING CENTER
HOUSING COUNSELING PROGRAM PARTICIPANT**



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FOR OAK PARK REGIONAL HOUSING CENTER**

August 3, 2023

BACKGROUND

The Housing and Urban Development (HUD) Office of Housing Counseling (OHC) contracted with Allmond & Company, LLC, to conduct a financial capability assessment review of Oak Park Regional Housing Center (OPRHC) to assess whether OPRHC has the ability to financially perform and administer the grant in compliance with all required Office of Management and Budget (OMB) circulars, Code of Federal Regulations (CFR) requirements, HUD Handbook 7610.1 Rev 5, and associated Grant Agreement and Notification of Funding Availability (NOFA). This report contains the results of this financial capability assessment. The review was performed over the following grant:

Grantee:	Oak Park Regional Housing Center
Tracking Number:	FCA22.007
Agency HCS ID:	84516

EXPLANATION OF REASON FOR REQUEST:

Due to the results of a recent performance review performed by OHC – OPRHC POC, Cherly Lombre, the agency has been placed in inactive status due to them not submitting their Grant Activity Reports (GARs) and reimbursements for the grant funds in FY19, FY20 and FY21. Therefore, the agency was unable to receive funding for the FY22 Housing Counseling Grant. As such, Ms. Lombre is requesting OPRHC to have a financial capability assessment to determine if the organization has the ability to financially perform in order to continue to apply and received grants from HUD.

SUMMARY OF RESULTS:

Open Items

There are no open items resulting from the financial capability assessment performed.

Financial Capability Assessment

We obtained and reviewed OPRHC Statement of Financial Report as of 12/31/22. We calculated OPRHC financial ratios (Current Ratio, Debt to Equity, Working Capital to Total Assets Ratio) and determined there were several negative financial indicators (net loss, high debt ratio) in the agency’s financial statement. We noted a negative Working Capital of (\$153,862) and a low Working Capital to Total Assets ratio of (.095). Due to a low ratio, the organization may have trouble paying their short-term

liabilities. However, the Debt-to-Equity ratio of .824 indicates that the organization has enough equity to cover their debts. Additionally, we noted the organization has a lack of cash flow per their Statement of Cash Flows as of 12/31/22. The organization had a sustained period of negative cash flow which can result in it making it increasingly difficult for OPHRC to pay their bills and cover their other expenses. In addition, the agency is relying on reimbursable grant funding to cover cash flow to pay employees' salaries. Relying on grant funding is a risky way for an organization to operate and could indicate a financial weakness. We also noted the organization operated at a net loss during the period of 12/31/22 per their Statement of Activities. OPHRC had a significant loss of total revenue and an increase in total expenses during the period. As a result, their total operating income decreased significantly.

Also, we noted OPHRC has been unable to make payroll and pay their employees on time. Missing payroll could result in financial and legal consequence that quickly threaten the future of the organization. In addition, we noted that OPRHC has a high turnover staff rate. As a result, a high turnover rate can have several negative effects on an organization, both direct and indirect. When an organization is unable to retain employees, it costs the organization money and goodwill. Additionally, high turnover rates can create an environment of instability and uncertainty, which can lead to lower morale and productivity. Therefore, we have determined the organization is not financially capable to perform.

Furthermore, we noted that OPHRC received FY20 and FY21 HUD Housing Counseling grants, however they have been unable to identify eligible activities to draw down majority of the funds for either grant.

Internal Controls

We obtained OPRHC policies and procedures surrounding cash management, timekeeping, and procurement of goods and services. We reviewed OPRHC policies and procedures for cash management, procurement, and timekeeping to determine if they were adequately designed to meet HUD requirements. No exceptions noted.

Accounting System

We reviewed OPRHC accounting system to determine if the system is adequate and effective to present accurate, current, and complete financial records. We determined that OPRHC accounting system maintains accurate general ledger and chart of accounts; provides financial activity that can be verified, reported, and analyzed. No exceptions noted.

Procurement Process

We reviewed OPRHC procurement process to determine if its procurement procedures reflect all applicable laws and regulations. No exception noted.

Time and Attendance Controls

We reviewed OPRHC policies and procedures surrounding timekeeping process to determine if its time and attendance process reflects all applicable laws and regulations. No exceptions noted.

Cash Management

We obtained OPRHC policies and procedures surrounding cash management. We reviewed the documentation to determine if OPRHC policies and procedures related to cash receipts and cash disbursements are in compliance with required HUD regulations. No exceptions noted.

REVIEW RESULTS AND RECOMMENDATIONS:

The review disclosed that OPRHC does not appear to be financially capable to perform and administer the grant in compliance with all required OMB circulars, CFR requirements, HUD Handbook 7610.1 Rev 5, and associated Grant Agreement and NOFA.