



MEMORANDUM

Date: December 23, 2021

To: Nannette Beacham, RHA and Gabino Arredondo, RHA

From: Michael Tonovitz, CVR Associates, Inc.

CC: Gerard Windt, HUD; Benjamin Palmer, HUD; Shasa Curl, City of Richmond; and Anil Comelo, City Manager

Subject: Debts Owed Write Off/Repayment
Update to Report Dated February 28, 2021

On February 28, 2021, CVR Associates Inc. (CVR) submitted a report entitled "Report of Recommendations - Debts Owed Write Off/Repayment" to the U. S. Department of Housing and Urban Development (HUD), the Richmond Housing Authority (RHA), and the City of Richmond (COR). CVR's analysis determined that the verified amount due was \$699,907, of which \$307,649 should be offset by the transfer of ownership of the administrative building from RHA to the City. As a result, the amount due and subject to a repayment agreement was determined to be \$392,258. The details of the initial analyses are contained as Exhibit 2 of this memo.

One of the factors considered in the debts owned analysis was \$568,631 of potential duplicate payments to Housing Choice Voucher (HCV) landlords. Due to the conditions of RHA's accounting records, further verification of this amount was required.

HUD retained CVR in a separate engagement to verify whether the potential duplicate payments were remitted and, if so, if any funds were recovered. CVR's analysis determined that duplicate payments in the amount of \$429,416 were remitted but not repaid. This is \$139,215 less than what was initially identified as the potential duplicate payments. The difference in the amounts was attributable to checks that were voided or otherwise did not clear RHA's bank accounts.

It was also previously determined that the duplicate payments made by the City's Finance Department were paid with Administrative Fees, not Housing

Assistance Payment Funding. If not for these duplicate payments, there would have been additional Administrative Revenues available to RHA, reducing the amount of funds that the City would have needed to provide the program. Thus, the debts owed would have been \$429,416 less.

An updated summary of the verified debts owed is contained as Exhibit 1.

As a result, the verifiable amount due the City is calculated to be \$1,268,538. CVR recommends this amount be broken into three components as follows:

1. The debt owed should be reduced by \$307,649 once the Administration Building is transferred from RHA to COR;
2. The debts owed as a result of the duplicate payments of \$429,416 should be repaid with any funds that are recovered. Any uncollectable amounts should be written off; and
3. The remaining amount of \$531,473 should be made subject to a repayment agreement in accordance with CVR's original recommendations dated February 28, 2021.

Other than what is contained in this memo, none of CVR's prior recommendations are impacted by the analysis of duplicate payments.

In a separate report dated September 24, 2021, and a follow up memo dated, December 21, 2021, CVR has recommended next steps to recover the duplicate payments. CVR is ready to proceed in assisting in recovery efforts, once authorized to proceed by RHA and/or COR.

Any duplicate payments recovered should be remitted to the City in satisfaction of debts owned, but any uncollectable amounts should be written off.

We look forward to discussing this matter during the call scheduled for January 11, 2021.

Exhibit 1 – Updated Analysis

Amount	Description	Recommended Action
\$15,371,628	Amount Owed per City of Richmond as of June 30, 2019	
(\$5,704,418)	Notes & loans payable with accrued interest due from affiliated entities	Adjusted books and records to show that these funds are due from affiliated entities
(\$174,067)	Loan from Community and Development Loan Programs to Westridge paid off by sale of property	Write off this amount as it was erroneously booked
\$45,969	Difference of direct and indirect charges owed to the COR by RHA as verified with the COR's 2019 CAFR	Post adjustment to reflect CAFR differences
(\$2,096,527)	Incorrect recording of Westridge receivable	Write off this amount as it was erroneously booked.
(\$4,772,363)	Disallowed indirect cost allocations	Write off this amount because the City was not authorized to make these charges
(\$1,401,684)	Debt settlement per PHARS agreement	Write off in accordance with PHARS agreement
\$1,268,538	Adjusted Amount Due	
(\$307,649)	Net Value of Administration Building	Reduce debt upon transfer of building
(\$429,416)	Duplicate Landlord Payments	Repay City with recovered payments and write off uncollectable amounts.
\$531,473	Amount Subject to Repayment Agreement	

Exhibit 2 – Original Analysis

Amount	Description	Recommended Action
\$15,371,628	Amount Owed per City of Richmond as of June 30, 2019	
(\$5,704,418)	Notes & loans payable with accrued interest due from affiliated entities	Adjusted books and records to show that these funds are due from affiliated entities
(\$174,067)	Loan from Community and Development Loan Programs to Westridge paid off by sale of property	Write off this amount as it was erroneously booked
\$45,969	Difference of direct and indirect charges owed to the COR by RHA as verified with the COR's 2019 CAFR	Post adjustment to reflect CAFR differences
(\$2,096,527)	Incorrect recording of Westridge receivable	Write off this amount as it was erroneously booked.
(\$4,772,363)	Disallowed indirect cost allocations	Write off this amount because the City was not authorized to make these charges
(\$1,401,684)	Debt settlement per PHARS agreement	Write off in accordance with PHARS agreement
(\$568,631)	Duplicate landlord payments	Write off pending review of duplicate payments
\$699,907	Verified Amount Due	
\$307,649	Net Value of Administration Building	Reduce debt upon transfer of building
\$392,258	Amount Subject to Repayment Agreement	