

Independent Auditor's Report on Compliance and Internal Control over Financial Reporting in Accordance with Government Auditing Standards

Kitsap County Consolidated Housing Authority July 1, 1998 through June 30, 1999

Chair of the Board of Commissioners
Kitsap County Consolidated Housing Authority
Silverdale, Washington

We have audited the financial statements of the Kitsap County Consolidated Housing Authority, Kitsap County, Washington, as of and for the year ended June 30, 1999, and have issued our report thereon dated May 5, 2000.

As described in our report on the financial statements, the Housing Authority prepares its financial statements for programs supported by U.S. Department of Housing and Urban Development (HUD) on a basis of accounting prescribed by HUD, which is a basis of accounting that differs significantly from generally accepted accounting principles. As a result, our opinion on these financial statements is qualified.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free of material misstatements, we performed tests of the Housing Authority's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the Housing Authority complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the Housing Authority's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the Housing Authority and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we noted an instance of noncompliance immaterial to the financial statements which is identified in the accompanying Schedule of Audit Findings as Finding 1.