

**San Diego Housing Commission**

**Single Audit Reports**

**June 30, 2013**

# San Diego Housing Commission

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Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance with  
*Government Auditing Standards*

To the Board of Commissioners  
San Diego Housing Commission

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Diego Housing Commission (SDHC), a component unit of the City of San Diego, California, and its discretely presented component units, which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2013. Another auditor audited the financial statements of the aggregate discretely presented component units as described in our report on SDHC's financial statements. The audit of the aggregate discretely presented component units was not performed in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SDHC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SDHC's internal control. Accordingly, we do not express an opinion on the effectiveness of SDHC'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether SDHC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cohn Reznick LLP". The signature is written in a cursive, flowing style.

Sacramento, California  
October 30, 2013

Independent Auditor's Report on Compliance for Each Major Federal Program and on  
Internal Control over Compliance Required by OMB Circular A-133 and Schedule of  
Expenditures of Federal Awards

To the Board of Commissioners  
San Diego Housing Commission

Report on Compliance for Each Major Federal Program

We have audited the San Diego Housing Commission's (SDHC), a component unit of the City of San Diego, California, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of SDHC's major federal programs for the year ended June 30, 2013. SDHC's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

*Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of SDHC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SDHC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of SDHC's compliance.

### *Opinion on Each Major Federal Program*

In our opinion, SDHC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### Report on Internal Control over Compliance

Management of SDHC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SDHC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SDHC's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## Schedule of Expenditures of Federal Awards

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Diego Housing Commission (SDHC), a component unit of the City of San Diego, California, and its discretely presented component units, which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2013. Our audit was performed for the purpose of forming an opinion on the financial statements of SDHC as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analyses as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

This report on the Schedule of Expenditures of Federal Awards is intended solely for the information and use of the Audit Committee, Board of Commissioners and management of SDHC, and federal awarding agencies and pass-through entities, and is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Sacramento, California  
October 30, 2013

**San Diego Housing Commission**

**Schedule of Expenditures of Federal Awards**

**Year ended June 30, 2013**

Federal Grantor / Passthrough Grantor Program Title:	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures Amount
<u>Pass-Through Programs</u>			
<b>U.S. Department of Housing and Urban Development</b>			
<b><u>CDBG Cluster</u></b>			
CDBG (City)-Passed through the City of San Diego	14.218	B-04-MC-06-0542	\$ 1,299,347
CDBG (County)-Passed through the County of San Diego	14.218	B-04-UC-06-0501	52,000
Neighborhood Stabilization Program	14.218	B-08-MN-06-0521	876,372
CDBG (City)-Passed through the City of San Diego	14.218	PO#4500031639	60,000
<b>Subtotal CDBG Cluster</b>	<b>14.218</b>		<b>2,287,719</b>
<b><u>Emergency Shelter Grant</u></b>	14.231		<b>788,005</b>
<b><u>Homelessness Prevention and Rapid Re-Housing Program - (Recovery Act Funded)</u></b>	14.257	S-09-MY-06-0542	<b>165,187</b>
<b>Corporation for National and Community Service <u>Social Innovation Fund-Passed through Local Initiatives Support Corp (LISC)</u></b>	94.019		<b>48,301</b>
<b>Subtotal - Pass Through Programs</b>			<b>3,289,212</b>
<u>Direct Programs</u>			
<b>U.S. Department of Housing and Urban Development</b>			
<b><u>Shelter Plus Care</u></b>			
Shelter Plus Care: CA0545C9D011003	14.238	CA0545C9D011003	505,970
Shelter Plus Care: CA0541C9D011003	14.238	CA0541C9D011003	116,912
Shelter Plus Care: CA0803C9D011003	14.238	CA0803C9D011003	341,004
Shelter Plus Care: CA16C701001	14.238	CA16C701001	153,273
Shelter Plus Care: CA0533C9DO10800	14.238	CA0533C9DO10800	53,312
Shelter Plus Care: CA0545C9DO11004	14.238	CA0545C9DO11004	996,766
Shelter Plus Care: CA0863C9D010900	14.238	CA0863C9D010900	51,495
Shelter Plus Care: CA0928C9D011001	14.238	CA0928C9D011001	133,711
Shelter Plus Care: CA0928C9D011001	14.238		111,493
<b>Subtotal - Shelter Plus Care</b>	<b>14.238</b>		<b>2,463,936</b>
<b><u>HOME Program - 10</u></b>	<b>14.239</b> <sup>1</sup>	M-07-MC-06-0533	<b>7,799,137</b>

(continued)

**San Diego Housing Commission**

**Schedule of Expenditures of Federal Awards - Continued**

**Year ended June 30, 2013**

Federal Grantor / Passthrough Grantor Program Title:	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures Amount
<b><u>Section 8 Project-Based Cluster</u></b>			
Section 8 Moderate Rehabilitation			
Project 1 -MR1	14.856	CA063MR0001	103,694
Project 2 -MR2	14.856	CA063MR0002	51,362
Project 7 -MR7	14.856	CA063MR0007	358,550
Subtotal - Section 8 Moderate Rehabilitation	<b>14.856</b>		<u>513,606</u>
<b>Subtotal - Section 8 Project-Based Cluster</b>			<b><u>513,606</u></b>
<b><u>Moving to Work</u></b>			
Housing Assistance Payments Program:			
For Low Income Families - Voucher	14.871	CA063VO	157,260,230
VASH program - CA063VA0001	14.871	CA063VA0001	2,355,579
HCV FSS Coord - FFY11 - CA063FSF007	14.871	CA063FSF007	204,399
HCV FSS Coord - FFY12 - CA0635418	14.871	CA0635418	152,577
Subtotal - Housing Assistance Payments			<u>159,972,785</u>
Capital Fund			
Capital Fund Program: CA16-P063-501-10	14.872	CA16-P063-501-10	27,668
Capital Fund Program: CA16-P063-502-07	14.872	CA16-P063-502-07	618,202
Capital Fund Program: CA16-P063-501-11	14.872	CA16-P063-501-11	26,018
Subtotal - Capital Fund			<u>671,888</u>
Operating Fund			
AMP 7 CA063-00000713D	14.850A	CA063-00000713D	16,403
AMP 8 CA063-00000813D	14.850A	CA063-00000813D	58,597
Subtotal - Operating Fund			<u>75,000</u>
<b>Subtotal - Moving to Work</b>	<b>14.881<sup>1</sup></b>		<b><u>160,719,673</u></b>
<b><u>LEAD</u></b>			
Lead Reduction CALHD018008	14.900	CALHD018008	440,354
Lead Paint CALHB038108	14.900	CALHB038108	307,203
Lead Paint CALHB046410	14.900	CALHB046410	786,210
Lead Paint CALHBO53212	14.900	CALHBO53212	232,348
Subtotal - LEAD	<b>14.900</b>		<b><u>1,766,115</u></b>
<b><u>Healthy Homes</u></b>			
Healthy Homes CALHH021810	14.913	CALHH021810	<u>422,535</u>

(continued)

**San Diego Housing Commission**

**Schedule of Expenditures of Federal Awards - Continued**

**Year ended June 30, 2013**

<u>Federal Grantor / Passthrough Grantor Program Title:</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures Amount</u>
<b><u>Housing Voucher Cluster</u></b>			
Family Unification Program (FUP)	14.880	CA063FU0001	<u>1,287,501</u>
<b>Subtotal - Housing Voucher Cluster</b>			<b><u>1,287,501</u></b>
<b>TOTAL</b>			<b><u><u>\$ 178,261,715</u></u></b>

1 - audited as major programs

See notes to Schedule of Expenditures of Federal Awards

## **San Diego Housing Commission**

### **Notes to Schedule of Expenditures of Federal Awards**

**Year ended June 30, 2013**

#### **Note 1 - Reporting Entity**

San Diego Housing Commission (SDHC) is a government agency formed by the City of San Diego (the City) under Ordinance No. 2515 on December 5, 1978 in accordance with the Housing Authority Law of the State of California. SDHC is an integral part (component unit) of the reporting entity of the City. SDHC primarily serves low income families by providing housing assistance payments, rental housing, loans and grants to individuals and not-for-profit organizations and other services.

#### **Note 2 - Summary of Significant Accounting Policies**

##### **Basis of Accounting**

The expenditures included in the Schedule of Expenditures of Federal Awards (the Schedule) were reported under the accrual basis of accounting.

##### **Schedule of Expenditures of Federal Awards**

The Schedule summarizes the expenditures of SDHC under the programs of the federal government for the year ended June 30, 2013. Award amounts may represent multi-year awards while the expenditures represent current year expenditures only.

The Schedule presents only the expenditures incurred by SDHC that are reimbursable under federal programs of federal agencies providing financial assistance. For the purpose of the Schedule, financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by SDHC from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the Schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the Schedule.

The Schedule was prepared from only the accounts of the grant programs and, therefore does not represent the financial position or results of operations of SDHC.

#### **Note 3 - Blended Component Units Federal Expenditures**

SDHC has three blended component units Southern SDHC FHA LLC, Northern SDHC FHA LLC and Central SDHC FHA LLC whose federal expenditures are excluded from the Schedule because their federal expenditures have been separately audited and reported to HUD. The federal expenditures for the programs

**San Diego Housing Commission**

**Notes to Schedule of Expenditures of Federal Awards - Continued**

**Year ended June 30, 2013**

of Southern SDHC FHA LLC, Northern SDHC FHA LLC and Central SDHC FHA LLC for the year ended June 30, 2013 are as follows:

<u>Federal Grantor / Passthrough Grantor Program Title:</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures Amount</u>
<u>Direct Programs</u>			
<b>U.S. Department of Housing and Urban Development</b>			
<b><u>Federal Housing Administration - Insured loans under Section 223(f)</u></b>			
FHA Insured Loan - Southern SDHC FHA LLC		FHA # 12911055	\$ 24,017,123
FHA Insured Loan - Northern SDHC FHA LLC		FHA # 12911053	16,800,687
FHA Insured Loan - Central SDHC FHA LLC		FHA # 12911054	<u>15,104,146</u>
<b>TOTAL</b>			<b><u>\$ 55,921,956</u></b>

**San Diego Housing Commission**

**Schedule of Findings and Questioned Costs**

**June 30, 2013**

**A. Summary of Auditor's Results**

1. The auditor's report expresses an unmodified opinion on the financial statements of the San Diego Housing Commission and its discretely presented component units.
2. No material weaknesses related to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No significant deficiencies were reported.
3. No instances of noncompliance material to the financial statements of the San Diego Housing Commission were disclosed during the audit.
4. No material weaknesses related to the audit of the major federal award programs were disclosed in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133. No significant deficiencies were reported.
5. The auditor's report on compliance for the major federal award programs for the San Diego Housing Commission expresses an unmodified opinion.
6. There are no audit findings relative to the major federal award programs for the San Diego Housing Commission.
7. The programs tested as major programs included:

<u>Major Programs</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures Amount</u>
Moving to work	14.881	\$ 160,719,673
HOME	14.239	<u>7,799,137</u>
Total Major Program Expenditures		<u>\$ 168,518,810</u>
Total Federal Award Expenditures		<u>\$ 178,261,715</u>
Percentage of total federal award expenditures		<u>95%</u>

**San Diego Housing Commission**

**Schedule of Findings and Questioned Costs - Continued**

**June 30, 2013**

8. The threshold for distinguishing Type A and B programs was \$3,000,000.
9. San Diego Housing Commission qualified as a low-risk auditee.

**B. Findings - Financial Statements Audit**

None

**C. Findings and Questioned Costs - Major Federal Award Programs Audit**

None

# **San Diego Housing Commission**

## **Status of Prior Audit Findings**

**June 30, 2013**

The previous audit report for the year ended June 30, 2012 contained the following audit finding. A description of the prior year audit finding and the status is as follows:

### **Section II - Financial Statement Findings**

#### **II-2012-1 Financial Reporting**

The prior audit included a significant deficiency over financial reporting due to the component unit, Housing Development Partners of San Diego (HDP), not being included in the preliminary financial statements. This condition was cleared during 2012.