

San Diego Housing Commission

Single Audit Reports

June 30, 2016

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, 2016, 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 November 9, 2016. Our report includes a reference to another auditor who audited the financial statements of the aggregate discretely presented component units, as described in our report on SDHC's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by that auditor. The financial statements of the aggregate discretely presented component units were not audited 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 "CohnReznick LLP". The signature is written in a cursive, flowing style.

Sacramento, California
November 9, 2016

Independent Auditor's Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance 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 Compliance Supplement* that could have a direct and material effect on each of SDHC's major federal programs for the year ended June 30, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. 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 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, 2016, 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 November 9, 2016. 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

the Uniform Guidance 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 black ink that reads "CohnReznick LLP". The signature is written in a cursive, flowing style.

Sacramento, California
November 9, 2016

San Diego Housing Commission

**Schedule of Expenditures of Federal Awards
Year ended June 30, 2016**

<u>Federal Grantor / Passthrough Grantor Program Title:</u>	<u>Federal CFDA Number</u>	<u>Direct Programs</u>	<u>Passed Through Programs</u>	<u>Federal Expenditures Amount</u>
U.S. Department of Housing and Urban Development				
<u>CDBG Cluster</u>				
CDBG (City)-Passed through the City of San Diego Contract: BC-15-MC-06-0542	14.218	\$ -	\$ 1,767,494	\$ 1,767,494
CDBG (County)-Passed through the County of San Diego Contract: 552541	14.218	-	50,000	50,000
Subtotal CDBG Cluster	14.218	-	1,817,494	1,817,494
<u>Emergency Shelter Grant</u>				
Passed through the City of San Diego Contract: E-15-MC-06-0542	14.231	-	956,595	956,595
<u>Continuum of Care</u>				
Special Needs Assistance				
CA0545L9D011407	14.267	312,750	-	312,750
CA0803L9D011406	14.267	351,505	-	351,505
CA0534L9D011407	14.267	1,846,655	-	1,846,655
CA1257L9D011300	14.267	124,371	-	124,371
CA1208L9D011200	14.267	180,905	-	180,905
CA0533L9D011401	14.267	122,282	-	122,282
CA0863L9D011401	14.267	333,065	-	333,065
Subtotal - Continuum of Care	14.267¹	3,271,533	-	3,271,533
<u>HOME Program</u>				
HOME Program: M-15-MC-06-0533	14.239	-	49,359	49,359
HOME Program: M-14-MC-06-0533	14.239	-	297,592	297,592
HOME Program: M-13-MC-06-0533	14.239	-	64,965	64,965
HOME Program: M-12-MC-06-0533	14.239	-	3,434,657	3,434,657
HOME Program: M-11-MC-06-0533	14.239	-	396,200	396,200
Subtotal - HOME Program	14.239¹	-	4,242,773	4,242,773
<u>Section 8 Project-Based Cluster</u>				
Section 8 Moderate Rehabilitation				
Project 1 MR1: CA063MR0001	14.856	81,172	-	81,172
Project 2 MR2: CA063MR0002	14.856	58,657	-	58,657
Project 7 MR7: CA063MR0007	14.856	323,980	-	323,980
Subtotal - Section 8 Project-Based Cluster	14.856	463,809	-	463,809

San Diego Housing Commission

**Schedule of Expenditures of Federal Awards
Year ended June 30, 2016**

<u>Federal Grantor / Passthrough Grantor Program Title:</u>	<u>Federal CFDA Number</u>	<u>Direct Programs</u>	<u>Passed Through Programs</u>	<u>Federal Expenditures Amount</u>
<u>Resident Opportunity & Self Sufficiency</u>				
CA063RPS094A015	14.870	7,202	-	7,202
Subtotal - Resident Opportunity & Self Sufficiency	14.870	7,202	-	7,202
<u>Moving to Work</u>				
Housing Assistance Payments Program:				
For Low Income Families - Voucher	14.871	151,927,286	-	151,927,286
VASH program - CA063VA0001	14.871	7,739,937	-	7,739,937
HCV FSS Coord - CA063FSH662A015	14.871	413,698	-	413,698
Subtotal - Housing Assistance Payments		160,080,921	-	160,080,921
Capital Fund				
Capital Fund Program: CA16-R063-501-09	14.872	160,145	-	160,145
Capital Fund Program: CA16-R063-501-11	14.872	1,214,758	-	1,214,758
Capital Fund Program: CA16-R063-501-12	14.872	923,182	-	923,182
Capital Fund Program: CA16-R063-501-13	14.872	582,937	-	582,937
Capital Fund Program: CA16-R063-501-14	14.872	186,806	-	186,806
Capital Fund Program: CA16-R063-501-15	14.872	35,102	-	35,102
Subtotal - Capital Fund		3,102,930	-	3,102,930
Operating Fund				
AMP 7 CA063-00000715D	14.850A	25,435	-	25,435
AMP 7 CA063-00000716D	14.850A	31,083	-	31,083
AMP 8 CA063-00000815D	14.850A	45,139	-	45,139
AMP 8 CA063-00000816D	14.850A	51,663	-	51,663
AMP 9 CA063-00000915D	14.850A	41,452	-	41,452
AMP 9 CA063-00000916D	14.850A	53,518	-	53,518
Subtotal - Operating Fund		248,290	-	248,290
Subtotal - Moving to Work	14.881¹	163,432,141	-	163,432,141
<u>LEAD</u>				
Lead Paint CALHBO53212	14.900	242,246	-	242,246
Subtotal - LEAD	14.900	242,246	-	242,246
<u>Family Unification Program (FUP)</u>				
Family Unification Program Contract: CA063FU0001	14.880	1,160,663	-	1,160,663

See notes to Schedule of Expenditures of Federal Awards.

San Diego Housing Commission

**Schedule of Expenditures of Federal Awards
Year ended June 30, 2016**

<u>Federal Grantor / Passthrough Grantor Program Title:</u>	<u>Federal CFDA Number</u>	<u>Direct Programs</u>	<u>Passed Through Programs</u>	<u>Federal Expenditures Amount</u>
U.S. Department of Health and Human Services				
<u>Assets for Independence Program</u>				
Assets for Independence Program Contract: 90E10704	93.602	32,125	-	32,125
<u>Corporation for National and Community Service</u>				
<u>Social Innovation Fund</u>				
Passed through Local Initiatives Support Corp Contract: 45209-0003	94.019	-	34,571	34,571
TOTAL		<u>\$ 168,609,719</u>	<u>\$ 7,051,433</u>	<u>\$ 175,661,152</u>

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, 2016

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, 2016. 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.

San Diego Housing Commission

**Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2016**

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 of Southern SDHC FHA LLC, Northern SDHC FHA LLC and Central SDHC FHA LLC for the year ended June 30, 2016 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><i>Direct Programs</i></u>			
U.S. Department of Housing and Urban Development			
<u>Federal Housing Administration - Insured loans under Section 223(f)</u>			
FHA Insured Loan - Southern SDHC FHA LLC		FHA # 12911055	\$ 22,801,808
FHA Insured Loan - Northern SDHC FHA LLC		FHA # 12911053	15,950,539
FHA Insured Loan - Central SDHC FHA LLC		FHA # 12911054	<u>14,328,253</u>
TOTAL			<u>\$ 53,080,600</u>

San Diego Housing Commission

Schedule of Findings and Questioned Costs
June 30, 2016

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on the financial statements: Unmodified

Internal control over financial reporting:

*Material weakness(es) identified? _____ Yes x No

*Significant deficiency(ies) identified? _____ Yes x None reported

Noncompliance material to financial statements noted? _____ Yes x No

Federal Awards

Internal control over major programs:

*Material weakness(es) identified? _____ Yes x No

*Significant deficiency(ies) identified? _____ Yes x None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ Yes x No

Identification of major programs:

<u>CFDA Numbers(s)</u>	<u>Name of Federal Program or Cluster</u>
14.881	Moving to Work
14.239	HOME
14.267	Continuum of Care

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee x Yes _____ No

San Diego Housing Commission

**Schedule of Findings and Questioned Costs
June 30, 2016**

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, 2016**

The previous audit report for the year ended June 30, 2015 contained no audit finding.