

SINGLE AUDIT REPORTS
SAN DIEGO HOUSING COMMISSION
JUNE 30, 2010

San Diego Housing Commission

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INDEPENDENT AUDITORS' 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 the financial statements of San Diego Housing Commission as of and for the year ended June 30, 2010, and have issued our report thereon dated November 30, 2010. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered San Diego Housing Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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 a 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Diego Housing Commission'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 and regulations 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.

This report is intended solely for the information and use of the Audit Committee, the Board of Commissioners, management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Reznick Group, P.C.

Sacramento, California
November 30, 2010

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners
San Diego Housing Commission

Compliance

We have audited San Diego Housing Commission's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. San Diego Housing Commission's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of San Diego Housing Commission's management. Our responsibility is to express an opinion on San Diego Housing Commission's compliance based on our audit.

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 San Diego Housing Commission'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. Our audit does not provide a legal determination on San Diego Housing Commission's compliance with those requirements.

The results of our audit procedures disclosed two immaterial instances of noncompliance in one program with the requirements referred to above, which we reported to the management of the Commission in a separate communication dated November 30, 2010. We considered those instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, San Diego Housing Commission complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

Management of San Diego Housing Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered San Diego Housing Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 San Diego Housing Commission'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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of San Diego Housing Commission as of and for the year ended June 30, 2010, and have issued our report thereon dated November 30, 2010. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Audit Committee, the Board of Commissioners, management, others within the Commission and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Reznick Group, P.C.

Sacramento, California
November 30, 2010

San Diego Housing Commission

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2010

Federal Grantor / Passthrough Grantor Program Title:	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures Amount
<i>Passed-Through Programs</i>			
U.S. Department of Housing and Urban Development			
CDBG (City)-Passed through the City of San Diego	14.253	B-04-MC-06-0542	\$ 763,088
CDBG (County)-Passed through the County of San Diego	14.218	B-04-UC-06-0501	55,672
Neighborhood Stabilization Program	14.218	B-08-MN-06-0521	<u>7,289,348</u>
Subtotal CDBG Cluster	14.218¹		<u>8,108,108</u>
Healthy Homes-Passed through the City of San Diego	14.901	1H1BCS00074-1	17,904
Homelessness Prevention and Rapid Re-Housing Program	14.257	S-09-MY-06-0542	893,022
U.S. Department of Health and Human Services			
Asset For Independence	93.602	90EI04821/01	<u>45,000</u>
Subtotal			<u>9,064,034</u>
<i>Direct Programs</i>			
U.S. Department of Housing and Urban Development			
Shelter Plus Care: CA16C94-0081	14.238 ¹	CA16C940081	239,311
Shelter Plus Care: CA16C40-1001	14.238 ¹	CA16C401001	360,843
Shelter Plus Care: CA16C70-1001	14.238 ¹	CA16C701001	159,334
Shelter Plus Care: CA0545C9DO10801	14.238 ¹	CA0545C9DO10801	167,807
Shelter Plus Care: CA0541C9DO10801	14.238 ¹	CA0541C9DO10801	74,978
Shelter Plus Care: CA0534C9DO10801	14.238 ¹	CA0534C9DO10801	<u>733,901</u>
Subtotal			<u>1,736,174</u>
HOME Program - 99/00/01/02/03	14.239	M-99/00/01/02/03- MC-06-0533	<u>17,173,390</u>
Section 8 Moderate Rehabilitation			
Project 1 -MR1	14.856	CA063MR0001	86,048
Project 2 -MR2	14.856	CA063MR0002	40,272
Project 3 -MR3	14.856	CA063MR0003	26,010
Project 7 -MR7	14.856	CA063MR0007	<u>311,958</u>
Subtotal			<u>464,288</u>

(continued)

San Diego Housing Commission

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended June 30, 2010

Federal Grantor / Passthrough Grantor Program Title:	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures Amount
<u>Move to Work</u>			
Housing Assistance Payments Program:			
For Low Income Families - Voucher	14.871	CA063VO	148,158,045
HCV FSS Homeowner Coordinator	14.871	CA063FSF003	190,037
HCV FSS Homeownership	14.871	CA063FSH004	144,657
HCV FSS Homeownership	14.871	CA063FSH005	68,286
Subtotal			148,561,025
Public Housing Capital Fund 501-06	14.872	CA16P06350106	270,041
Public Housing Capital Fund 501-09R	14.872	CA16P06350109R	35,796
Public Housing Capital Fund 501-09	14.872	CA16P06350109	2,605
Subtotal			308,442
Operating Fund			
		CA063-	
AMP 1: CA063-00000109D/110D/209D/309D	14.850	00000109D/110D/209D/309D	668,754
AMP 2: CA063-00000210D	14.850	CA063-00000210D	263,643
AMP 3: CA063-00000310D	14.850	CA063-00000310D	209,200
AMP 4: CA063-00000401D/409D	14.850	CA063-00000401D/409D	430,242
AMP 5: CA063-00000509D/510D	14.850	CA063-00000509D/510D	430,136
AMP 6: CA063-00000609D/610D	14.850	CA063-00000609D/610D	412,588
AMP 7: CA063-00000709D/710D	14.850	CA063-00000709D/710D	14,851
Subtotal			2,429,414
Subtotal Move to Work	14.881¹		151,298,881
Public Housing Capital Fund 501-06 (ARRA)	14.884¹	CA16P06350109	2,173,051
Resident Opportunity and Supportive Services			
Neighborhood Networks-FFY07	14.870	CA063RNN022A007	184,449
Resident Opport and Support Serv-Neighborhood Network-FFY06	14.870	CA063RNN053A006	52,217
Subtotal			236,666

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San Diego Housing Commission

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended June 30, 2010

Federal Grantor / Passthrough Grantor Program Title:	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures Amount
LEAD			
Lead Reduction CALHD018008	14.900	CALHD018008	1,150,062
Lead Paint CALHB038108	14.900	CALHB038108	<u>865,084</u>
Subtotal			<u>2,015,146</u>
DVP			
Disaster Voucher Program	14. DVP	CA063DVP	<u>3,902</u>
Subtotal			<u>3,902</u>
NEW			
HUD VASH program - CA063VA0001	14.VSH	CA063VA0001	<u>1,369,644</u>
Subtotal			<u>1,369,644</u>
TOTAL			<u><u>\$ 185,535,176</u></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, 2010

NOTE 1 - REPORTING ENTITY

San Diego Housing Commission (the Commission) 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. The Commission is an integral part (component unit) of the reporting entity of the City. The Commission 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 the Commission under the programs of the federal government for the year ended June 30, 2010. Award amounts may represent multi-year awards while the expenditures represent current year expenditures only.

The Schedule presents only the expenditures incurred by the Commission 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 the Commission 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 the Commission.

San Diego Housing Commission

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of San Diego Housing Commission.
2. No significant deficiencies were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of San Diego Housing Commission were disclosed during the audit.
4. No significant deficiencies were identified during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for San Diego Housing Commission expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for San Diego Housing Commission.
7. The programs tested as major programs include:

Major Programs	Federal CFDA Number	Federal Expenditures Amount
Move to work	14.881	\$ 151,298,881
Community Development Block Grant (CDBG)	14.218	8,108,108
Public Housing Capital Fund 501-06 (ARRA)	14.884	2,173,051
Shelter Plus Care	14.238	1,736,174
Total Major Program Expenditures		\$ 163,316,214
Total Federal Award Expenditures		\$ 185,535,176
Percentage of total federal award expenditures		88%

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

San Diego Housing Commission

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

No matters were reported.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT

No matters were reported.