

San Diego Housing Commission
Single Audit Reports and Schedule of Expenditures of
Federal Awards
Year Ended June 30, 2020

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 the 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 business-type activities, the aggregate discretely presented component units, and the fiduciary funds of the San Diego Housing Commission ("SDHC"), a component unit of the City of San Diego, California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise SDHC's basic financial statements, and have issued our report thereon dated November 3, 2020. The financial statements of the aggregate discretely presented component units and the fiduciary funds were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the aggregate discretely presented component units and the fiduciary funds of SDHC.

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") as a basis for designing 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 from 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 financial statements. 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.



Sacramento, California
November 3, 2020

Independent Auditor's Report on Compliance for the Major Federal Program and on
Internal Control over Compliance Required by the Uniform Guidance and
Report on Schedule of Expenditures of Federal Awards

To the Board of Commissioners
San Diego Housing Commission

Report on Compliance for the 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 the SDHC's major federal program for the year ended June 30, 2020. SDHC's major federal program is 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 the SDHC's major federal program 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 the major federal program. However, our audit does not provide a legal determination of SDHC's compliance.

Opinion on the 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 its major federal program for the year ended June 30, 2020.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards

We have audited, in accordance with the 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 business-type activities, the aggregate discretely presented component units, and the fiduciary funds of SDHC, a component unit of the City of San Diego, California, as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated November 3, 2020 which contained unmodified opinions of the financial statements. Our audit was performed for the purpose of forming opinions on the financial statements of SDHC as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis 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 basic financial statements

or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic 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.

CohnReznick LLP

Sacramento, California
November 3, 2020

San Diego Housing Commission

Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

Federal Grantor / Passthrough Grantor Program Title:	Federal CFDA Number	Direct Programs	Passed Through Programs	Federal Expenditures Amount	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development					
<u>CDBG Cluster</u>					
CDBG (City)-Passed through the City of San Diego					
Contract: B-19-MC-06-0542	14.218	\$ -	\$ 1,317,909	\$ 1,317,909	\$ 1,218,542
Contract: B-18-MC-06-0542	14.218	-	10,096,251	10,096,251	1,089,722
Contract: B-17-MC-06-0542	14.218	-	414,876	414,876	-
CDBG (County)Pass-through the County of San Diego Contract: 561530					
	14.218	-	61,897	61,897	-
Subtotal CDBG Cluster	14.218	-	11,890,933	11,890,933	2,308,264
<u>Emergency Solutions Grant</u>					
Passed through the City of San Diego					
Contract#: E-19-MC-06-0542	14.231	-	990,716	990,716	719,882
Contract#: E-18-MC-06-0542	14.231	-	573	573	-
Subtotal ESG	14.231	-	991,289	991,289	719,882
Subtotal CDBG, ESG				12,882,222	3,028,146
<u>Continuum of Care</u>					
Special Needs Assistance					
CA0534L9D011811	14.267	3,566,596	-	3,566,596	3,301,119
CA1208L9D011805	14.267	232,894	-	232,894	226,002
CA1602L9D011802	14.267	707,520	-	707,520	679,164
CA1349L9D011703/804	14.267	263,967	-	263,967	253,998
Subtotal Continuum of Care	14.267	4,770,977	-	4,770,977	4,460,283

San Diego Housing Commission

Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

Federal Grantor / Passthrough Grantor Program Title:	Federal CFDA Number	Direct Programs	Passed Through Programs	Federal Expenditures Amount	Passed Through to Subrecipients
<u>HOME Program</u>					
HOME Program: M-19-MC-06-0533	14.239	-	693,721	693,721	-
HOME Program: M-18-MC-06-0533	14.239	-	122,000	122,000	-
HOME Program: M-17-MC-06-0533	14.239	-	840,508	840,508	-
HOME Program: M-16-MC-06-0533	14.239	-	2,081,704	2,081,704	-
HOME Program: M-15-MC-06-0533	14.239	-	850,632	850,632	-
Subtotal - HOME Program	14.239	-	4,588,565	4,588,565	-
<u>Section 8 Project-Based Cluster</u>					
Section 8 Moderate Rehabilitation					
Project 1 MR1: CA063MR0001	14.856	38,800	-	38,800	-
Project 2 MR2: CA063MR0002	14.856	62,255	-	62,255	-
Project 7 MR7: CA063MR0007	14.856	329,334	-	329,334	-
Subtotal - Section 8 Project-Based Cluster	14.856	430,389	-	430,389	-
<u>Resident Opportunity & Self Sufficiency (ROSS)</u>					
ROSS191266	14.870	121,935	-	121,935	-
<u>Moving to Work</u>					
Housing Assistance Payments Program:					
For Low Income Families					
Voucher CA063VOW086--/CA06VOW091	14.871	172,969,468	-	172,969,468	5,944,504
Voucher CA063AF0243--/CA063AF0247	14.871	14,491,821	-	14,491,821	-
Voucher CA063AF0251	14.871	218,224	-	218,224	-
VASH Program - CA063VO067--/CA063VO077	14.871	10,393,364	-	10,393,364	-
HCV FSS Coord: FSS18CA2220	14.871	204,178	-	204,178	-
HCV FSS Coord: FSS20CA3111	14.871	212,644	-	212,644	-
Subtotal - Housing Assistance Payments		198,489,699	-	198,489,699	5,944,504
Capital Fund					
Capital Fund Program: CA16-P063-501-18	14.872	1,462,809	-	1,462,809	-
Subtotal - Capital Fund		1,462,809	-	1,462,809	-

San Diego Housing Commission

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020**

<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>Passed Through to Subrecipients</u>
Operating Fund					
AMP 7 CA06300000718D	14.850A	161	-	161	-
AMP 7 CA06300000719D	14.850A	41,004	-	41,004	-
AMP 8 CA06300000720D	14.850A	35,513	-	35,513	-
AMP 8 CA06300000818D	14.850A	207	-	207	-
AMP 8 CA06300000819D	14.850A	42,109	-	42,109	-
AMP 8 CA06300000820D	14.850A	42,136	-	42,136	-
AMP 9 CA06300000918D	14.850A	224	-	224	-
AMP 9 CA06300000919D	14.850A	73,103	-	73,103	-
AMP 9 CA06300000920D	14.850A	82,268	-	82,268	-
AMP 10 CA06300001018D	14.850A	254	-	254	-
AMP 10 CA06300001019D	14.850A	42,014	-	42,014	-
AMP 10 CA06300001020D	14.850A	33,004	-	33,004	-
Subtotal - Operating Fund		<u>391,997</u>	<u>-</u>	<u>391,997</u>	<u>-</u>
Subtotal - Moving to Work	14.881¹	<u>200,344,505</u>	<u>-</u>	<u>200,344,505</u>	<u>5,944,504</u>
<u>Housing Voucher Cluster</u>					
Family Unification Program (FUP)					
Contract #: CA063VO0361-- /CA063VO0366/CA063V00382	14.880	1,494,771	-	1,494,771	-
Subtotal - FUP		<u>1,494,771</u>	<u>-</u>	<u>1,494,771</u>	<u>-</u>
Mainstream Program Vouchers					
Contract #: CA063DV0001--/CA063DV0006	14.879	416,870	-	416,870	-
Contract #: CA0638F002--/CA0638F0007	14.879	12,848	-	12,848	-
Subtotal - FUP		<u>429,718</u>	<u>-</u>	<u>429,718</u>	<u>-</u>
Subtotal - Housing Voucher Cluster		<u>1,924,489</u>	<u>-</u>	<u>1,924,489</u>	<u>-</u>
TOTAL		<u>\$ 207,592,295</u>	<u>\$ 17,470,787</u>	<u>\$ 225,063,082</u>	<u>\$13,432,933</u>

1 - audited as a major program

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, 2020

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 Presentation

The Schedule of Expenditures of Federal Awards (the "Schedule") presents the federal awards activity of SDHC under programs of the federal government. Federal awards received directly from federal agencies, as well as federal awards passed through from nonfederal agencies or other organizations are included in the Schedule. The information in the Schedule is presented in accordance with the 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"). As the Schedule presents only the federal award activity of SDHC, it is not intended to and does not present the financial position, changes in net position or cash flows of SDHC as a whole.

Significant Accounting Policies

The expenditures included in the Schedule are reported under the accrual basis of accounting. The expenditures are recognized in accordance with the cost principles contained in the Uniform Guidance. SDHC has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation from the Statement of Revenues, Expenses and Changes in Net Position to the Schedule of Expenditures of Federal Awards

The amounts reported in the Schedule are reconciled with the amounts reported in SDHC's financial statements as follows (Dollars in Thousands):

Grant revenue	\$	250,211
Less grants from City and local agencies		(24,772)
Less grants from state agencies		<u>(376)</u>
Grant revenue from federal sources	\$	<u>225,063</u>

San Diego Housing Commission

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020**

Note 4 - Subrecipient Expenditures

The amounts reported in the Schedule include the following subrecipient expenditures:

<u>Federal Grantor / Passthrough Grantor Program Title:</u>	<u>Federal CFDA Number</u>	<u>Subrecipient Expenditures Amount</u>
Continuum of Care	14.267	\$ 4,460,283
CDBG	14.218	2,308,264
Emergency Solutions Grant	14.231	719,882
Moving to Work	14.881	<u>5,944,504</u>
Total Subrecipient Expenditures		<u>\$ 13,432,933</u>

Note 5 - 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, 2020 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>			
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	\$20,953,094
FHA Insured Loan - Northern SDHC FHA LLC		FHA # 12911053	14,657,307
FHA Insured Loan - Central SDHC FHA LLC		FHA # 12911054	<u>13,152,531</u>
TOTAL			<u><u>\$48,762,932</u></u>

San Diego Housing Commission

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

Note 6 - COVID-19 Pandemic

In 2020, the financial impact of the novel COVID-19 coronavirus has been felt both worldwide and in the United States. Throughout the United States businesses in all financial sectors have felt the negative impacts of the COVID-19 pandemic as jobs have been lost due to sheltering in place in order to mitigate the spread of the virus.

While SDHC cannot readily estimate the financial impact that the pandemic will have on its business operations, SDHC does not believe that the Agency's mission will be adversely impacted as it has received federal stimulus funding to continue providing essential housing assistance to the thousands of families, seniors, veterans and San Diegans experiencing homelessness in the City of San Diego. In May 2020, SDHC directly received approximately \$3.1 million of CARES Act funds, principally from the Housing Choice Vouchers program. As of June 30, 2020, SDHC has expended \$218,224. The deadline to expend the CARES Act funds was extended to December 31, 2021. SDHC anticipates expending all funds it directly receives by this deadline.

San Diego Housing Commission

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

A. Summary of Auditor's Results

Financial Statements

Type of report the auditor issues on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: 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 federal programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? _____ Yes x No

Identification of major programs:

CFDA Numbers(s)	Name of Federal Program or Cluster
14.881	Moving to Work

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
Year Ended June 30, 2020**

B. Findings - Financial Statements Audit

None

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

None



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