

San Diego Housing Commission

**Reports of Independent Auditor in Accordance with
Government Auditing Standards and Uniform
Guidance, and Schedule of Expenditures of Federal
Awards**

Year Ended June 30, 2023

PRELIMINARY DRAFT -
SUBJECT TO CHANGE

San Diego Housing Commission

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PRELIMINARY DRAFT
SUBJECT TO CHANGE

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 business-type activities, the aggregate discretely presented component units and the fiduciary fund 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, 2023, and the related notes to the financial statements, which collectively comprise SDHC's basic financial statements, and have issued our report thereon dated (REPORT DATE). Our report includes a reference to the other auditor who audited the financial statements of SDHC's fiduciary fund, as described in our report on SDHC's financial statements. The financial statements of the aggregate discretely presented component units and the fiduciary fund 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 fund of SDHC.

Report on 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 opinions 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 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. 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 or significant deficiencies may exist that were not identified.

Report on 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
(REPORT DATE)

PRELIMINARY DRAFT -
SUBJECT TO CHANGE

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

To the Board of Commissioners
San Diego Housing Commission

Report on Compliance for Each Major Federal Program

Opinion on 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 identified as subject to audit 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, 2023. SDHC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, SDHC complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of SDHC and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of SDHC's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to SDHC's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on SDHC's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about SDHC's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding SDHC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of SDHC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 SDHC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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, 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 a 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Required by the Uniform Guidance

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units and the fiduciary fund of SDHC, a component unit of the City of San Diego, California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise SDHC's basic financial statements. We issued our report thereon, dated (REPORT DATE), which contained unmodified opinions on those financial statements. Our report includes a reference to the other auditor who audited the financial statements of the fiduciary fund of SDHC, as described in our report on SDHC's basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 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.

Sacramento, California
(REPORT DATE)

San Diego Housing Commission

Schedule of Expenditures of Federal Awards Year Ended June 30, 2023

Federal Grantor / Pass - Through Grantor / Program and / or Cluster Title	Federal Assistance Listing Number	Direct Programs	Passed Through Programs	Federal Expenditures Amount	Passed Through to Subrecipients
U.S. Department of Housing and Urban Development					
<u>CDBG - Entitlement Grants Cluster</u>					
CDBG (City) - Passed through the City of San Diego					
B-22-MC-06-0542	14.218	\$ -	\$ 1,785,967	\$ 1,785,967	\$ 1,349,219
B-20-MC-06-0542	14.218	-	3,839,520	3,839,520	3,839,520
CDBG (County) - Passed-through the County of San Diego Contract: 568595					
	14.218	-	72,330	72,330	-
Subtotal - CDBG - Entitlement Grants Cluster	14.218	-	5,697,817	5,697,817	5,188,739
<u>Emergency Solutions Grant Program</u>					
Passed through the City of San Diego					
E-22-MC-06-0542	14.231	-	1,299,426	1,299,426	1,041,318
E-20-MC-06-0542	14.231	-	89,140	89,140	-
Subtotal - ESG	14.231	-	1,388,566	1,388,566	1,041,318
<u>Continuum of Care Program</u>					
Special Needs Assistance					
CA0534L9D012114	14.267	3,912,268	-	3,912,268	3,658,956
CA1208L9D012108	14.267	435,538	-	435,538	418,677
CA1602L9D012105	14.267	747,392	-	747,392	719,036
Subtotal - Continuum of Care Program	14.267	5,095,198	-	5,095,198	4,796,669
<u>HOME Investment Partnerships Program</u>					
Passed through the City of San Diego					
M-22-MC-06-0533	14.239	-	892,057	892,057	-
M-21-MC-06-0533	14.239	-	867,350	867,350	-
M-20-MC-06-0533	14.239	-	1,280	1,280	-
M-19-MC-06-0533	14.239	-	4,315,810	4,315,810	-
Subtotal - HOME Investment Partnerships Program	14.239	-	6,076,497	6,076,497	-
<u>Resident Opportunity and Supportive Services - Service Coordinators (ROSS)</u>					
ROSS221679	14.870	81,062	-	81,062	-
Subtotal - ROSS Program	14.870	81,062	-	81,062	-
<u>Family Self-Sufficiency Program</u>					
FSS22CA4244	14.896	272,575	-	272,575	-
FSS23CA5447	14.896	299,221	-	299,221	-
Subtotal - FSS Program	14.896	571,796	-	571,796	-

San Diego Housing Commission

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023**

Federal Grantor / Pass - Through Grantor / Program and / or Cluster Title	Federal Assistance Listing Number	Direct Programs	Passed Through Programs	Federal Expenditures Amount	Passed Through to Subrecipients
<u>Moving to Work (MTW)</u>					
Housing Assistance Payments Program:					
Section 8 Housing Choice Vouchers					
For Low Income Families - CCA06VOW111 --/ CA063VOW120	14.HCV	252,383,089	-	252,383,089	-
For Low Income Families - CA063AF0264 --/ CA063AF0273	14.HCV	20,401,926	-	20,401,926	-
VASH Program - CA063VO410--/CA063VO421	14.HCV	15,630,468	-	15,630,468	-
Subtotal - Housing Assistance Payments Program		<u>288,415,483</u>	<u>-</u>	<u>288,415,483</u>	<u>-</u>
Public Housing Capital Fund					
CA16P06350119	14.CFP	90,486	-	90,486	-
CA16P06350120	14.CFP	266,446	-	266,446	-
CA16P06350121	14.CFP	392,293	-	392,293	-
Subtotal - Public Housing Capital Fund		<u>749,225</u>	<u>-</u>	<u>749,225</u>	<u>-</u>
Public and Indian Housing					
CA06300000722D	14.OPS	12,145	-	12,145	-
CA06300000723D	14.OPS	22,300	-	22,300	-
CA06300000822D	14.OPS	62,110	-	62,110	-
CA06300000823D	14.OPS	46,051	-	46,051	-
CA06300000922D	14.OPS	148,173	-	148,173	-
CA06300000923D	14.OPS	131,526	-	131,526	-
CA06300001022D	14.OPS	52,678	-	52,678	-
CA06300001023D	14.OPS	40,061	-	40,061	-
Subtotal - Public and Indian Housing		<u>515,044</u>	<u>-</u>	<u>515,044</u>	<u>-</u>
Subtotal - Moving to Work	14.881¹	<u>289,679,752</u>	<u>-</u>	<u>289,679,752</u>	<u>-</u>
<u>Housing Voucher Cluster</u>					
Section 8 Housing Choice Vouchers					
Emergency Housing Voucher CA063EH0001-- /CA063ES0002	14.871	11,808,799	-	11,808,799	-
Family Unification Program CA063VO0427-- /CA063VO0451	14.871	3,070,684	-	3,070,684	-
Subtotal - Section 8 Housing Choice Vouchers	14.871	<u>14,879,483</u>	<u>-</u>	<u>14,879,483</u>	<u>-</u>
Mainstream Voucher Program					
CA063DV0024-CA063DV0030	14.879	3,435,837	-	3,435,837	-
CA0638F0022-CA0638F0028	14.879	431,798	-	431,798	-
Subtotal - Mainstream Vouchers	14.879	<u>3,867,635</u>	<u>-</u>	<u>3,867,635</u>	<u>-</u>
Subtotal - Housing Voucher Cluster	14.871/14.879¹	<u>18,747,118</u>	<u>-</u>	<u>18,747,118</u>	<u>-</u>
Total - U.S. Department of Housing and Urban Development		<u>314,174,926</u>	<u>13,162,880</u>	<u>327,337,806</u>	<u>11,026,726</u>
U.S. Department of the Treasury					
<u>Emergency Rental Assistance Program</u>					
Passed through the City of San Diego					
State ERA ERAE0321	21.023	-	2,574,335	2,574,335	-
Subtotal - Emergency Rental Assistance Program	21.023	<u>-</u>	<u>2,574,335</u>	<u>2,574,335</u>	<u>-</u>

San Diego Housing Commission

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023**

<u>Federal Grantor / Pass - Through Grantor / Program and / or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Direct Programs</u>	<u>Passed Through Programs</u>	<u>Federal Expenditures Amount</u>	<u>Passed Through to Subrecipients</u>
<u>Coronavirus Relief Fund</u>					
Passed through the State of California Homekey 2 Path - Villas El Cerrito Phase 1 22-HK- 17487	21.019	-	6,835,364	6,835,364	-
Subtotal - Coronavirus Relief Fund	21.019	-	6,835,364	6,835,364	-
Total - U.S. Department of the Treasury		-	9,409,699	9,409,699	-
U.S. Department of Health and Human Services					
<u>Immunization Cooperative Agreements</u>					
Passed through the State of California Health Ambassador Grant IZB 22-10930	93.268	-	22,802	22,802	-
Subtotal - Immunization Cooperative Agreements	93.268	-	22,802	22,802	-
<u>Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)</u>					
Passed through the State of California Health Ambassador Grant ELC 22-10930	93.323	-	22,802	22,802	-
Subtotal - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	-	22,802	22,802	-
Total - U.S. Department of Health and Human Services		-	45,604	45,604	-
Federal Communications Commission					
FCC - Affordable Connectivity Program ACOGP2340020	32.011	4,655	-	4,655	-
Subtotal - Affordable Connectivity Outreach Grant Program	32.011	4,655	-	4,655	-
Total - Federal Communications Commission		4,655	-	4,655	-
TOTAL		\$ 314,179,581	\$ 22,618,183	\$ 336,797,764	\$ 11,026,726

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 June 30, 2023

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 - Indirect Cost Rate

For its Emergency Rental Assistance Program (Federal Assistance Listing Number 21.023), SDHC elected to use the 10-percent de minimis indirect cost rate allowed under 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"). For all other federal programs, SDHC has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - 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 for the year ended June 30, 2023. 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 Uniform Guidance. As the Schedule presents only the federal awards activity of SDHC, it is not intended to and does not present the financial position, change 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. Such expenditures are recognized in accordance with the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

San Diego Housing Commission

**Notes to Schedule of Expenditures of Federal Awards
June 30, 2023**

Note 4 - 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, 2023 are as follows:

Federal Grantor / Passthrough Grantor / Program Title:	Federal Assistance Listing Number	Agency or Pass-Through Number	Federal Expenditures Amount
<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	14.134	FHA # 12911055	\$19,372,511
FHA Insured Loan - Northern SDHC FHA LLC	14.134	FHA # 12911053	13,551,645
FHA Insured Loan - Central SDHC FHA LLC	14.134	FHA # 12911054	<u>12,151,159</u>
TOTAL			<u><u>\$45,075,315</u></u>

PRELIMINARY DRAFT
SUBJECT TO CHANGE

San Diego Housing Commission

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

A. Summary of Auditor's Results

Financial Statements

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

Unmodified opinion

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 federal 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 the major federal programs:

Unmodified opinion

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 federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
14.881	Moving to Work
14.871/14.879	Housing Voucher Cluster

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, 2023**

B. Findings - Financial Statement Audit

None reported.

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

None reported.

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