

SINGLE AUDIT REPORTS
SAN DIEGO HOUSING COMMISSION
JUNE 30, 2011

San Diego Housing Commission

TABLE OF CONTENTS

	PAGE
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 <u>GOVERNMENT AUDITING STANDARDS</u>	3
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	5
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	8
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	11
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	12

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, 2011, and have issued our report thereon dated November 30, 2011. 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 requirements 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, 2011

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 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, 2011. 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 with the requirements referred to above, which we reported to the management of the Commission in a separate communication dated November 30, 2011. 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 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, 2011.

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, 2011, and have issued our report thereon dated November 30, 2011. 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, 2011

San Diego Housing Commission

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2011

Federal Grantor / Passthrough Grantor Program Title:	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures Amount
<i>Pass-Through Programs</i>			
U.S. Department of Housing and Urban Development			
<u>CDBG Cluster</u>			
CDBG (City)-Passed through the City of San Diego	14.218	B-04-MC-06-0542	\$ 100,912
CDBG (County)-Passed through the County of San	14.218	B-04-UC-06-0501	52,000
Neighborhood Stabilization Program	14.218	B-08-MN-06-0521	<u>1,095,405</u>
Subtotal CDBG Cluster	14.218		<u>1,248,317</u>
<u>Homelessness Prevention and Rapid Re-Housing Program - (Recovery Act Funded)</u>			
	14.257	S-09-MY-06-0542	<u>3,441,623</u>
Subtotal - Pass Through Programs			<u>4,689,940</u>
<i>Direct Programs</i>			
U.S. Department of Housing and Urban Development			
<u>Shelter Plus Care</u>			
Shelter Plus Care: CA16C94-0081	14.238 ¹	CA16C940081	216,017
Shelter Plus Care: CA16C70-1001	14.238 ¹	CA16C701001	152,321
Shelter Plus Care: CA0545C9DO10802	14.238 ¹	CA0545C9DO10802	227,245
Shelter Plus Care: CA0541C9DO10802	14.238 ¹	CA0541C9DO10802	86,929
Shelter Plus Care: CA0534C9DO10802	14.238 ¹	CA0534C9DO10802	712,923
Shelter Plus Care: CA0803C9D010901	14.238 ¹	CA0803C9D010901	257,116
Shelter Plus Care: CA0533C9DO10800	14.238 ¹	CA0533C9DO10800	<u>3,100</u>
Subtotal - Shelter Plus Care	14.238¹		<u>1,655,651</u>
<u>HOME Program - 10</u>	14.239	M-10- MC-06-0533	<u>5,961,585</u>
<u>Section 8 Project-Based Cluster</u>			
Section 8 Moderate Rehabilitation			
Project 1 -MR1	14.856	CA063MR0001	96,736
Project 2 -MR2	14.856	CA063MR0002	42,560
Project 3 -MR3	14.856	CA063MR0003	3,856
Project 7 -MR7	14.856	CA063MR0007	<u>325,132</u>
Subtotal - Section 8 Moderate Rehabilitation	14.856		<u>468,284</u>
Subtotal - Section 8 Project-Based Cluster			<u>468,284</u>

(continued)

San Diego Housing Commission

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended June 30, 2011

Federal Grantor / Passthrough Grantor Program Title:	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures Amount
<u>Moving to Work</u>			
Housing Assistance Payments Program:			
For Low Income Families - Voucher	14.871	CA063VO	159,641,325
HCV FSS Homeowner Coordinator	14.871	CA063FSF003	9,763
HCV FSS Coord - FFY10 - CA063FSF006	14.871	CA063FSF006	188,548
VASH program - CA063VA0001	14.VSH	CA063VA0001	2,184,185
Subtotal - Housing Assistance Payments			162,023,821
Capital Fund			
Public Housing Capital Fund 501-09	14.872	CA16P06350109	28,437
Capital Fund Program: CA16-R063-501-09	14.872	CA16-R063-501-09	774,184
Capital Fund Program: CA16-P063-501-10	14.872	CA16-P063-501-10	2,772
Subtotal - Capital Fund			805,393
Operating Fund			
AMP 1: CA063-00000110D	14.850A	CA063-00000110D	5,734
AMP 2: CA063-00000210D	14.850A	CA063-00000210D	4,648
AMP 3: CA063-00000310D	14.850A	CA063-00000310D	6,667
AMP 4: CA063-00000410D	14.850A	CA063-00000410D	5,470
AMP 5: CA063-00000510D	14.850A	CA063-00000510D	5,397
AMP 6: CA063-00000610D	14.850A	CA063-00000610D	5,153
AMP 7: CA063-00000710D	14.850A	CA063-00000710D	38,939
AMPS Other CA063-01307D	14.850A	CA063-01307D	27,977
Subtotal - Operating Fund			99,985
Subtotal - Moving to Work	14.881¹		162,929,199
<u>ROSS</u>			
Resident Opportunity and Supportive Services			
Neighborhood Networks-FFY07	14.870	CA063RNN022A007	98,332

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San Diego Housing Commission

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year ended June 30, 2011

<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>LEAD</u>			
Lead Reduction CALHD018008	14.900	CALHD018008	1,152,156
Lead Paint CALHB038108	14.900	CALHB038108	664,328
Lead Paint CALHB046410	14.900	CALHB046410	6,886
Subtotal - LEAD	14.900		1,823,370
<u>Healthy Homes</u>			
Healthy Homes CALHH021810	14.913	CALHH021810	10,400
<u>Housing Voucher Cluster</u>			
Family Unification Program (FUP)	14.880	CA063FU0001	792,204
Disaster Voucher Program	14. DVP	CA063DVP	25,273
Subtotal - Housing Voucher Cluster			817,477
<u>Federal Housing Administration - Insured loans under Section 223(f)</u>			
FHA Insured Loan - Central SDHC FHA LLC	1	FHA # 12911054	15,576,232
FHA Insured Loan - Northern SDHC FHA LLC	1	FHA # 12911053	17,316,528
FHA Insured Loan - Southern SDHC FHA LLC	1	FHA # 12911055	24,754,535
Subtotal - FHA Insured Loans			57,647,295
TOTAL			\$ 236,101,533

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, 2011

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, 2011. 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.

In addition to the federally reimbursable grant programs, the Commission, through three of its wholly owned limited liability companies (LLCs), has also received loans that are insured by the Federal Housing Administration under Section 223(f). The outstanding balance of these loans as of June 30, 2011 is reflected on 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, 2011

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 or material weaknesses related to the audit of the financial statements were reported in the 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.
3. No instances of noncompliance material to the financial statements of San Diego Housing Commission were disclosed during the audit.
4. No significant deficiencies or material weaknesses related to the audit of the major federal award programs were disclosed in the 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.
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.

San Diego Housing Commission

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

June 30, 2011

7. The programs tested as major programs include:

Major Programs	Federal CFDA Number	Federal Expenditures Amount
Moving to work	14.881	\$ 162,929,199
Homelessness Prevention and Rapid Re-Housing Program (Recovery Act Funded)	14.257	3,441,623
Shelter Plus Care	14.238	1,655,651
FHA Insured Loans		57,647,295
Total Major Program Expenditures		\$ 225,673,768
Total Federal Award Expenditures		\$ 236,101,533
Percentage of total federal award expenditures		96%

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