



San Diego Housing Commission

Single Audit Reports

June 30, 2018

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 San Diego Housing Commission ("SDHC"), a component unit of the City of San Diego, California and its discretely presented component units as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise SDHC's basic financial statements, and have issued our report thereon dated November 5, 2018. 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.

CohnReznick LLP

Sacramento, California
November 5, 2018

Independent Auditor's Report on Compliance for Each 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 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, 2018. 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, 2018.

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.

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 SDHC, a component unit of the City of San Diego, California, and its discretely presented component units as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2018. 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.

CohnReznick LLP

Sacramento, California
November 5, 2018

San Diego Housing Commission

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018**

<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: B-17-MC-06-0542	14.218	\$ -	\$ 3,860,034	\$ 3,860,034
Contract: B-16-MC-06-0542	14.218	-	4,381,644	4,381,644
CDBG (County)Pass-through the County of San Diego Contract: 557891	14.218	-	57,200	57,200
Subtotal CDBG Cluster	14.218^{1,2}	-	8,298,878	8,298,878
<u>Emergency Solutions Grant</u>				
Passed through the City of San Diego Contract#: E-17-MC-06-0542	14.231 ²	-	978,282	978,282
<u>Continuum of Care</u>				
Special Needs Assistance				
CA0803L9D011507	14.267	118,310	-	118,310
CA0803L9D011608	14.267	265,457	-	265,457
CA0534L9D011609	14.267	2,898,491	-	2,898,491
CA1257L9D011501	14.267	43,676	-	43,676
CA1257L9D011602	14.267	94,487	-	94,487
CA1208L9D011603	14.267	197,794	-	197,794
CA1208L9D011704	14.267	15,344	-	15,344
CA1602L9D011600	14.267	348,342	-	348,342
CA1349L9D011501	14.267	142,982	-	142,982
CA1349L9D011602	14.267	140,290.00	-	140,290
Subtotal Special Needs Assistance	14.267²	4,265,173	-	4,265,173
<u>HOME Program</u>				
HOME Program: M-13-MC-06-0533	14.239	-	2,017,131	2,017,131
HOME Program: M-14-MC-06-0533	14.239	-	3,948,040	3,948,040
HOME Program: M-15-MC-06-0533	14.239	-	194,000	194,000
HOME Program: M-16-MC-06-0533	14.239	-	684,711	684,711
HOME Program: M-17-MC-06-0533	14.239	-	784,830	784,830
Subtotal - HOME Program	14.239¹	-	7,628,712	7,628,712

San Diego Housing Commission

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018**

<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>
Section 8 Project-Based Cluster				
Section 8 Moderate Rehabilitation				
Project 1 MR1: CA063MR0001	14.856	72,133	-	72,133
Project 2 MR2: CA063MR0002	14.856	64,152	-	64,152
Project 7 MR7: CA063MR0007	14.856	369,444	-	369,444
Subtotal - Section 8 Project-Based Cluster	14.856	505,729	-	505,729
Resident Opportunity & Self Sufficiency (ROSS)				
CA063RPS094A015	14.870	87,294	-	87,294
Moving to Work				
Housing Assistance Payments Program:				
For Low Income Families				
Voucher CA063VO----/CA063AF0232	14.871	178,339,957	-	178,339,957
VASH Program - CA063VA001	14.871	9,646,539	-	9,646,539
HCV FSS Coord: CA063FSH069A016	14.871	204,402	-	204,402
HCV FSS Coord: FSS17CA1083-01-00	14.871	205,866	-	205,866
Subtotal - Housing Assistance Payments		188,396,764	-	188,396,764
Capital Fund				
Capital Fund Program: CA16-R063-501-11	14.872	6,000	-	6,000
Capital Fund Program: CA16-R063-501-13	14.872	227,720	-	227,720
Capital Fund Program: CA16-P063-501-15	14.872	161,132	-	161,132
Capital Fund Program: CA16-P063-501-16	14.872	1,577,071	-	1,577,071
Capital Fund Program: CA16-P063-501-17	14.872	961,224	-	961,224
Subtotal - Capital Fund		2,933,147	-	2,933,147
Operating Fund				
AMP 7 CA06300000716D	14.850A	86	-	86
AMP 7 CA06300000717D	14.850A	38,577	-	38,577
AMP 7 CA06300000718D	14.850A	36,288	-	36,288
AMP 8 CA06300000816D	14.850A	142	-	142
AMP 8 CA06300000817D	14.850A	44,254	-	44,254
AMP 8 CA06300000818D	14.850A	46,705	-	46,705
AMP 9 CA06300000916D	14.850A	148	-	148
AMP 9 CA06300000917D	14.850A	29,327	-	29,327
AMP 9 CA06300000918D	14.850A	50,513	-	50,513
AMP 10 CA06300001018D	14.850A	73,433	-	73,433
Subtotal - Operating Fund		319,473	-	319,473
Subtotal - Moving to Work	14.881 ¹	191,649,384	-	191,649,384

San Diego Housing Commission

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018**

<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>Family Unification Program (FUP)</u>				
Family Unification Program Contract: CA063FU0001	14.880	990,874	-	990,874
Subtotal - FUP		990,874	-	990,874
U.S. Department of Health and Human Services				
<u>State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)</u>				
Prevention & Public Health Funding (PPHF) FAIN U58DP005528	93.757	-	2,382	2,382
TOTAL		\$ 198,489,328	\$ 16,908,254	\$ 214,406,708

1 - audited as a major program
2 - includes subrecipient expenditures

See notes to Schedule of Expenditures of Federal Awards.

San Diego Housing Commission

Notes to Schedule of Expenditures of Federal Awards June 30, 2018

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	\$ 240,542
Less grants from City and local agencies	(25,895)
Less grants from state agencies	<u>(240)</u>
Grant revenue from federal sources	<u><u>\$ 214,407</u></u>

San Diego Housing Commission

**Notes to Schedule of Expenditures of Federal Awards
June 30, 2018**

Note 4 - Federal Subrecipient Expenditures

The amounts reported in the Schedule includes 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	\$ 3,941,693
CDBG	14.218	1,606,113
Emergency Solutions Grant	14.231	<u>919,419</u>
Total Subrecipient Expenditures		<u><u>\$ 6,467,225</u></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, 2018 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	\$ 21,912,136
FHA Insured Loan - Northern SDHC FHA LLC		FHA # 12911053	15,328,186
FHA Insured Loan - Central SDHC FHA LLC		FHA # 12911054	<u>13,761,807</u>
TOTAL			<u><u>\$ 51,002,129</u></u>

San Diego Housing Commission

Schedule of Findings and Questioned Costs
June 30, 2018

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 federal programs: Unmodified

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:

Table with 2 columns: CFDA Numbers(s) and Name of Federal Program or Cluster. Rows include 14.218 CDBG, 14.239 HOME Program, and 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
June 30, 2018**

B. Findings - Financial Statements Audit

None

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

None

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