

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, 2021

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 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, 2021, 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, 2021. Our report includes a reference to another 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.

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 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, 2021

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

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, 2021. 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, 2021.

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 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 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 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, 2021, and the related notes to the financial statements, which collectively comprise SDHC's basic financial statements. We issued our report thereon dated November 3, 2021, which contained unmodified opinions on those financial statements. Our report includes a reference to another auditor who audited the financial statements of the fiduciary fund of SDHC, as described in our report on SDHC's 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
November 3, 2021

San Diego Housing Commission

Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

Federal Grantor / Passthrough Grantor / Program and / or Cluster 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 - Entitlement Grants Cluster</u>					
CDBG (City) - Passed through the City of San Diego					
Contract: B-20-MC-06-0542	14.218	\$ -	\$ 3,293,607	\$ 3,293,607	\$ 1,165,414
Contract: B-19-MC-06-0542	14.218	-	10,000,000	10,000,000	-
Contract: B-18-MC-06-0542	14.218	-	3,595,328	3,595,328	209,328
Contract: B-20-MW-06-0542	14.218	-	3,600,000	3,600,000	-
CDBG (County) - Passed-through the County of San Diego Contract: 563572	14.218	-	71,495	71,495	-
Subtotal - CDBG - Entitlement Grants Cluster	14.218	-	20,560,430	20,560,430	1,374,742
<u>Emergency Solutions Grant Program</u>					
Passed through the City of San Diego					
Contract#: E-20-MC-06-0542	14.231	-	999,289	999,289	847,536
Contract#: E-20-MC-06-0542	14.231	-	11,804,504	11,804,504	10,546,084
Subtotal - ESG	14.231	-	12,803,793	12,803,793	11,393,620
Subtotal - CDBG, ESG		-	33,364,223	33,364,223	12,768,362
<u>Continuum of Care Program</u>					
Special Needs Assistance					
CA0534L9D011912	14.267	3,989,048	-	3,989,048	3,631,112
CA1208L9D011906	14.267	186,395	-	186,395	179,504
CA1602L9D011903	14.267	620,170	-	620,170	591,813
CA1349L9D011804	14.267	206,504	-	206,504	139,772
Subtotal - Continuum of Care Program	14.267	5,002,117	-	5,002,117	4,542,201
<u>HOME Investment Partnerships Program</u>					
Passed through the City of San Diego					
HOME Program: M-20-MC-06-0533	14.239	-	346,772	346,772	-
HOME Program: M-19-MC-06-0533	14.239	-	55,000	55,000	-
HOME Program: M-18-MC-06-0533	14.239	-	8,000	8,000	-
HOME Program: M-17-MC-06-0533	14.239	-	2,211,095	2,211,095	-
Subtotal - HOME Investment Partnerships Program	14.239	-	2,620,867	2,620,867	-
<u>Section 8 Project-Based Cluster</u>					
Section 8 Moderate Rehabilitation					
Project 2 MR2: CA063MR0002	14.856	71,012	-	71,012	-
Project 7 MR7: CA063MR0007	14.856	244,727	-	244,727	-
CARES Act - Project 7 MR7: CA063MR0007	14.MRC	34,514	-	34,514	-
Subtotal - Section 8 Project-Based Cluster	14.856	350,253	-	350,253	-
<u>Resident Opportunity and Supportive Services - Service Coordinators (ROSS)</u>					
ROSS191266	14.870	42,036	-	42,036	-

See notes to Schedule of Expenditures of Federal Awards

San Diego Housing Commission

Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

Federal Grantor / Passthrough Grantor / Program and / or Cluster Title:	Federal CFDA 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					
Voucher CA063VOW093--/CA06VOW100	14.HCV	196,748,961	-	196,748,961	-
Voucher CA063AF0249--/CA063AF0257	14.HCV	15,317,192	-	15,317,192	-
VASH Program - CA063VO388/CA063VO399	14.HCV	11,565,332	-	11,565,332	-
HCV FSS Coord: FSS20CA3111	14.HCV	239,048	-	239,048	-
HCV FSS Coord: FSS21CA3735	14.HCV	223,358	-	223,358	-
CARES Act - MTW Administrative CA063AF0251/ CA063AF0252	14.HCC	6,693,188	-	6,693,188	-
CARES Act - HCV HAP Program CA063VO0386	14.HCC	11,574,763	-	11,574,763	-
Subtotal - Housing Assistance Payments Program		242,361,842	-	242,361,842	-
Public Housing Capital Fund					
Capital Fund Program: CA16P06350119	14.CFP	176,917	-	176,917	-
Subtotal - Public Housing Capital Fund		176,917	-	176,917	-
Low Rent Public Housing					
CA06300000719D	14.OPS	72	-	72	-
CA06300000720D	14.OPS	35,813	-	35,813	-
CA06300000721D	14.OPS	41,252	-	41,252	-
CA06300000819D	14.OPS	74	-	74	-
CA06300000820D	14.OPS	42,493	-	42,493	-
CA06300000821D	14.OPS	67,073	-	67,073	-
CA06300000919D	14.OPS	128	-	128	-
CA06300000920D	14.OPS	82,965	-	82,965	-
CA06300000921D	14.OPS	120,335	-	120,335	-
CA06300001019D	14.OPS	74	-	74	-
CA06300001020D	14.OPS	33,283	-	33,283	-
CA06300001021D	14.OPS	56,782	-	56,782	-
CARES Act - CA06300000720DC	14.PHC	10,989	-	10,989	-
CARES Act - CA06300000820DC	14.PHC	3,752	-	3,752	-
CARES Act - CA06300000920DC	14.PHC	15,690	-	15,690	-
CARES Act - CA06300001020DC	14.PHC	3,658	-	3,658	-
Subtotal - Low Rent Public Housing		514,433	-	514,433	-
Subtotal - Moving to Work	14.881	243,053,192	-	243,053,192	-
<u>Family Unification Program (FUP)</u>					
Contract #: CA063VO0381--/CA063VO0402	14.880	2,001,669	-	2,001,669	-
Subtotal - FUP	14.880	2,001,669	-	2,001,669	-
<u>Housing Voucher Cluster</u>					
Mainstream Vouchers Program					
Contract #: CA063DV0006--/CA063DV0016	14.879	1,183,730	-	1,183,730	-
Contract #: CA0638F0009--/CA0638F0016	14.879	126,505	-	126,505	-
CARES Act - Contract #: CA0638F0008/CA0638F0011/ CA063DV0012	14.MSC	235,644	-	235,644	-
Subtotal - Housing Voucher Cluster		1,545,879	-	1,545,879	-
Total - U.S. Department of Housing and Urban Development		251,995,146	35,985,090	287,980,236	17,310,563

See notes to Schedule of Expenditures of Federal Awards

San Diego Housing Commission

Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

Federal Grantor / Passthrough Grantor / Program and / or Cluster Title:	Federal CFDA Number	Direct Programs	Passed Through Programs	Federal Expenditures Amount	Passed Through to Subrecipients
U.S. Department of the Treasury					
<u>Coronavirus Relief Fund (CRF)</u>					
CRF - Passed through the City of San Diego					
Cortez Hill-Alpha-City CRF	21.019	-	187,000	187,000	-
Emergency Rental Assistance Program CRF	21.019	-	9,576,548	9,576,548	-
RI Kearny Mesa - City CARES Act	21.019	-	10,000,000	10,000,000	-
CRF - Passed through the State of California					
Department of Housing and Community					
RI Hotel Circle - State CRF	21.019	-	27,690,283	27,690,283	-
RI Kearny Mesa - State CRF	21.019	-	10,000,000	10,000,000	-
Subtotal - Coronavirus Relief Fund	21.019	-	57,453,831	57,453,831	-
<u>Emergency Rental Assistance Program</u>					
Housing Stability Assistance Program - Passed through the City of San Diego	21.023	-	29,942,716	29,942,716	-
Total - U.S. Department of the Treasury		-	87,396,547	87,396,547	-
TOTAL		\$ 251,995,146	\$ 123,381,637	\$ 375,376,783	\$ 17,310,563

See notes to Schedule of Expenditures of Federal Awards

San Diego Housing Commission

Notes to Schedule of Expenditures of Federal Awards June 30, 2021

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 for the year ended June 30, 2021. 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 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. SDHC has elected not to use the 10-percent de minimis indirect cost rate 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	\$ 401,429
Less grants from City and local agencies	(17,431)
Less grants from state agencies	<u>(8,621)</u>
Grant revenue from federal sources	<u>\$ 375,377</u>

San Diego Housing Commission

Notes to Schedule of Expenditures of Federal Awards June 30, 2021

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, 2021 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	14.134	FHA # 12911055	\$20,445,882
FHA Insured Loan - Northern SDHC FHA LLC	14.134	FHA # 12911053	14,302,499
FHA Insured Loan - Central SDHC FHA LLC	14.134	FHA # 12911054	<u>12,830,827</u>
TOTAL			<u><u>\$47,579,208</u></u>

San Diego Housing Commission
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

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 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 programs:

CFDA Numbers(s)	Name of Federal Program or Cluster
14.218	CDBG - Entitlement Grants Cluster
14.231	Emergency Solutions Grant Program
14.881	Moving to Work
21.019	Coronavirus Relief Fund
21.023	Emergency Rental Assistance Program

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, 2021

B. Findings - Financial Statement Audit

None

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

None



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