

**SACRAMENTO HOUSING AND
REDEVELOPMENT AGENCY**

Single Audit Reports
(OMB Circular A-133)

For the Year Ended December 31, 2013

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
FOR THE YEAR ENDED DECEMBER 31, 2013**

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**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>Federal Agency/Pass Through Agency/Federal Program Title</u>	<u>Catalog of Federal Domestic Assistance (CFDA) Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct:			
Community Development Block Grants (CDBG) - Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants (Entitlements)	14.218		\$ 11,240,055
Community Development Block Grants/Entitlement Grants (Program Income)	14.218		<u>1,480,177</u>
Total CDBG - Entitlement Grants Cluster			<u>12,720,232</u>
Emergency Solutions Grant Program	14.231		356,519
Shelter Plus Care	14.238		4,188,072
Home Investment Partnerships Program (Entitlements)	14.239		911,982
Home Investment Partnerships Program (Program Income)	14.239		<u>1,354,705</u>
Total Home Investment Partnerships Program			<u>2,266,687</u>
Housing Opportunities for Persons with AIDS	14.241		936,521
Public and Indian Housing:			
Low Rent Public Housing	14.850		8,767,538
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856		202,469
Section 8 Housing Choice Vouchers	14.871		109,778,360
Capital Fund Program (CFP) Cluster:			
Public Housing Capital Fund	14.872		6,390,589
Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Services	14.877		232,039
Choice Neighborhoods Implementation Grants	14.889		<u>205,787</u>
Total U.S. Department of Housing and Urban Development			<u>146,044,813</u>
Total Expenditures of Federal Awards			<u>\$ 146,044,813</u>

See accompanying notes to schedule of expenditures of federal awards.

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2013**

NOTE A – BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards (SEFA) is prepared on the modified accrual basis of accounting for grants accounted for in governmental funds and the accrual basis of accounting for grants accounted for in proprietary funds, as described in Note I of the Sacramento Housing and Redevelopment Agency’s (Agency) financial statements.

NOTE B – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA)

The CFDA numbers included in the accompanying SEFA were determined based on the program name, review of grant contract information and the Office of Management and Budget’s (OMB) Catalog of Federal Domestic Assistance.

NOTE C – SUBRECIPIENTS

Of the federal expenditures presented in the SEFA, the Agency provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amounts Provided to Subrecipients</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$ 2,540,127
Emergency Solutions Grant Program	14.231	308,999
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	820,345
		<u>\$ 3,669,471</u>

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*

Honorable Members of the
City Council, Housing Authority
of the City of Sacramento,
County Board of Supervisors, Housing Authority
of the County of Sacramento and
Sacramento Housing and Redevelopment Commission
Sacramento, California

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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Sacramento Housing and Redevelopment Agency (Agency), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Agency’s basic financial statements, and have issued our report thereon dated June 16, 2014. Our report includes a reference to other auditors who audited the financial statements of the Shasta Hotel Corporation (Hotel) and the Norwood Avenue Housing Corporation (Corporation) discretely presented component units, as described in our report on the Agency’s financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors. The financial statements of the Hotel 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 the Agency’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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency’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 the Agency'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 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 result of that testing, and is 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.

Macias Jini & O'Connell LLP

Sacramento, California
June 16, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Honorable Members of the
City Council, Housing Authority
of the City of Sacramento,
County Board of Supervisors, Housing Authority
of the County of Sacramento and
Sacramento Housing and Redevelopment Commission
Sacramento, California

Report on Compliance for Each Major Federal Program

We have audited the Sacramento Housing and Redevelopment Agency's (the Agency) 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 the Agency's major federal programs for the year ended December 31, 2013. The Agency'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency'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 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 the Agency'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 the Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Agency 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 December 31, 2013.

Report on Internal Control Over Compliance

Management of the Agency 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 the Agency's internal control over compliance with the types of compliance 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 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 the Agency'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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Agency as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements. We issued our report thereon dated June 16, 2014, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors who audited the financial statements of the Shasta Hotel Corporation and Norwood Avenue Housing Corporation discretely presented component units, as described in our report on the Agency's financial statements and contained an emphasis of matter related to the adoption of new accounting principles. 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 OMB Circular A-133 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 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.

Macias Jini & O'Connell LLP

Sacramento, California

July 30, 2014, except for our report on
the Schedule of Expenditures of Federal
Awards for which the date is June 16, 2014

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards:

Internal control over major federal programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	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 section 510(a) of OMB Circular A-133?	No

Identification of major federal programs:

<u>CFDA Number</u>	<u>Federal Program Title</u>
14.218	Community Development Block Grant (CDBG)
14.231	Entitlement Grants Cluster:
14.871	CDBG/Entitlement Grants
	Emergency Solutions Grant (ESG)
	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between Type A and Type B programs:	\$3,000,000
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Auditee qualified as low-risk auditee?	No
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**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2013**

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Reference Number: 2012-01
Federal Program Title: Housing Opportunities for Persons with Aids
Federal Catalog Number: 14.241
Federal Agency: U.S. Department of Housing and Urban Development
Federal Award Number: CA-H12-F002
Award Year: 2012
Category of Finding: Procurement and Suspension and Debarment

Criteria:

U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (OMB Circular A-133), Subpart C – Auditees, Section .300 – Auditee Responsibilities

- (b) Maintain internal control over Federal programs that provides reasonable assurance the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of the Federal programs.

TITLE 2 – GRANTS AND AGREEMENTS, PART 180 – OMB GUIDELINES TO AGENCIES ON GOVERNMENTWIDE DEBARMENT AND SUSPENSION (NONPROCUREMENT), Sec. 180.300 – What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the Excluded Parties List System (EPLS); or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person.

Condition:

Per review of 6 procurement files selected for testing, one of the six contract files did not include evidence that the Agency verified that they contracted with a party that was not suspended and debarred or that the actual contract did not include a certification or clause in the contract stating that the company was not excluded/debarred from working on Federally funded contracts.

Cause:

The Agency is aware of the suspension and debarment compliance requirement and has a contract template that is utilized which includes a suspension and debarment clause. However, for the contract selected for testing, an older version of the contract template was used, which did not have this clause.

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2013**

Effect:

There is a chance the Agency could enter into an agreement with a vendor that is suspended, debarred or otherwise excluded from entering into agreements for federal funds.

Questioned Costs:

No questioned costs associated with this finding.

Recommendation:

The Agency should check the EPLS website prior to the awarding of a contract or ensure the contract includes a certification or clause stating that the vendor was not excluded/debarred from working on federally funded contracts for all contracts, including professional service contracts.

Management Response and Correction Action:

We agree. The Agency does check the list on an annual basis. However, in this instance we inadvertently used the incorrect version of the contract template. We will ensure that the correct template is used in the future.

Status of Prior Year Finding:

Corrected