SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Federal Single Audit Report

For the Year Ended December 31, 2015

MGO Certified Public Accountants

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
FOR THE YEAR ENDED DECEMBER 31, 2015

Table of Contents

Certified Public Accountants

Sacramento
Walnut Creek
San Francisco
Oakland
Los Angeles
Century City
Encino
Newport Beach
San Diego

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, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated July 27, 2016. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a material weakness.

Macias Gini & O'Connell LLP
3000 S Street, Suite 300
Sacramento, CA 95816

www.mgocpa.com

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.*

The Agency's Response to Findings

The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 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 Gini & O'Connell LLP

Sacramento, California
July 27, 2016

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 the Uniform Guidance

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 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, 2015. 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 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 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 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 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, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2015-002. Our opinion on each major federal program is not modified with respect to this matter.

The Agency's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-002 that we consider to be a significant deficiency.

The Agency's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 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, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements. We issued our report thereon dated July 27, 2016, 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. 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.

Macias Gini & O'Connell LLP

Sacramento, California
September 28, 2016

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Agency/Federal Program Title	Catalog of Federal Domestic Assistance (CFDA) Number	Expenditures	Amounts Provided to Subrecipients
U.S. Department of Housing and Urban Development			
Direct:			
Community Development Block Grants (CDBG)/Entitlement Grants:			
Community Development Block Grants/Entitlement Grants (Entitlements)	14.218	$ 5,417,117	$ 2,344,403
Community Development Block Grants/Entitlement Grants (Program Income)	14.218	4,401,550	-
Total CDBG - Entitlement Grants		9,818,667	2,344,403
Neighborhood Stabilization Program	14.264	444,063	-
Emergency Solutions Grant Program	14.231	1,323,726	1,268,208
Shelter Plus Care	14.238	4,581,891	-
Home Investment Partnerships Program:			
Home Investment Partnerships Program (Entitlements)	14.239	7,511,343	-
Home Investment Partnerships Program (Program Income)	14.239	124,556	-
Total Home Investment Partnerships Program		7,635,899	-
Housing Opportunities for Persons with AIDS	14.241	782,910	41,182
Public and Indian Housing	14.850	10,217,449	-
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	202,944	-
Resident Opportunity and Supportive Services - Service Coordinators	14.870	67,086	-
Section 8 Housing Choice Vouchers	14.871	109,243,618	-
Public Housing Capital Fund	14.872	3,562,198	-
Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Services	14.877	70,308	-
Choice Neighborhoods Planning Grants	14.892	301,254	-
Family Self-Sufficiency Program	14.896	117,544	-
Total U.S. Department of Housing and Urban Development		148,369,557	3,653,793
Total Expenditures of Federal Awards		$ 148,369,557	$ 3,653,793

See accompanying notes to schedule of expenditures of federal awards.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE A – **BASIS OF ACCOUNTING**

The accompanying 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. The Agency has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE B – **CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA)**

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

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Section I – Summary of Auditor's Results

Financial Statements:

The type of auditor's report issued on whether the: financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified?	None reported
Noncompliance material to the financial statements?	No

Federal Awards:

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
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 200.516(a)?	Yes

Identification of major federal programs:

CFDA Number	Federal Program Title
14.218	Community Development Block Grants (CDBG)/Entitlement Grants
14.238	Shelter Plus Care
14.239	Home Investment Partnerships Program
14.850	Public and Indian Housing
14.872	Public Housing Capital Fund

Dollar threshold used to distinguish between Type A and Type B programs:	$3,000,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

Reference Number: **2015-001 – Notes Receivable**

Criteria:

American Institute of Certified Public Accountants (AICPA), *Auditing Standards Codification,* AU-C Section 265: Communicating Internal Control Related Matters Identified in an Audit, Paragraph .07

> 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.

American Institute of Certified Public Accountants (AICPA), *Auditing Standards Codification*, AU-C Section 265: Communicating Internal Control Related Matters Identified in an Audit, Paragraph .A11

> Indicators of material weaknesses in internal control include:
>
> - restatement of previously issued financial statements to reflect the correction of a material misstatement due to fraud or error
> - identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the entity's internal control

Condition:

During the process of confirming the Agency's outstanding notes receivable with its contracted third-party loan portfolio administrator and reconciliation to the Agency's recorded notes receivable balances, we noted three (3) specific notes totaling $4,640,000 related to the City Housing Successor Special Revenue Fund that were not recorded in the Agency's general ledger financial system. The three (3) outstanding notes were being included and properly reported by the loan portfolio administrator.

Cause:

The three (3) notes that were not properly recorded in the Agency's general ledger financial system as of December 31, 2015, were part of a convoluted and complex process resulting from the 2012 dissolution of redevelopment agencies throughout California. After the dissolution, the notes were originally transferred to the Redevelopment Agency Successor Agency (Successor Agency), then transferred to the City of Sacramento, for which the Agency removed the loan balances from its general ledger financial system, as they were no longer assets of the Agency. However, the Agency continued to maintain and monitor the notes via its third-party loan administrator, until the City established its own loan portfolio administration process. Subsequently, the three (3) notes reverted back to the Agency based upon a final determination made by the California Department of Finance. Although the notes were still being reported by the Agency's third-party loan portfolio administrator, the Agency erroneously did not re-record the notes into its general ledger financial system.

Although the Agency was performing periodic reconciliations between the third-party loan portfolio administrator's reports and the notes receivable balances recorded in the general ledger financial system, the reconciliation process did not identify and detect the error.

Effect:

Due to the unique and complex process associated with the transferring of assets pursuant to redevelopment agency dissolution, the Agency's established controls were not sufficient to mitigate the potential risk of misstatement due to the accounting related complexities. The Agency had to restate its December 31, 2014 financial statements as a result of error.

Recommendation:

The Agency should periodically perform a three-way reconciliation between the notes receivable balances recorded in the general ledger financial system, the loan portfolio database maintained by the Agency's Portfolio Management Department, and the loan portfolio records maintained by the Agency's third-party loan administrator. The reconciliation should be performed at least on an annual basis, however, more frequent reconciliations can more timely detect potential errors. Discrepancies between the three-way reconciliation should be timely researched, documented, and adequately resolved. The reconciliations should be timely reviewed and approved by the appropriate Finance Department management personnel.

Management Response:

Management agrees with Finding 2015-001. Corrective action has been taken to ensure that the general ledger balances are properly restated to include the notes receivable balances in question. The Agency has begun and will continue to perform a three-way reconciliation between the notes receivable balances recorded in the general ledger financial system, the loan portfolio database maintained by the Agency's Portfolio Management Department, and the loan portfolio records maintained by the Agency's third-party loan administrator. The reconciliations will be performed at least annually by an Accountant and reviewed and approved by a Management Analyst.

Section III – Federal Award Findings and Questioned Costs

Reference Number:	**2015-002**
Federal Program Title:	**Community Development Block Grants (CDBG)/ Entitlement Grants**
Federal Catalog Number:	**14.218**
Federal Agency:	**U.S. Department of Housing and Urban Development**
Federal Award Number and Year:	**B-15-UC-06-0005 (2015) B-15-MC-06-0003 (2015)**
Category of Finding:	**Subrecipient Monitoring**

Criteria:

Title 2: Grants and Agreements, PART 200 – UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS, Subpart D – Post Federal Award Requirements, §200.331 Requirement for pass-through entities

All pass-through entities must:

(a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

(1) Federal Award Identification.

(i) Subrecipient name (which must match the name associated with its unique entity identifier);

(ii) Subrecipient's unique entity identifier;

(iii) Federal Award Identification Number (FAIN);

(iv) Federal Award Date (see §200.39 Federal award date) of award to the recipient by the Federal agency;

(v) Subaward Period of Performance Start and End Date;

(vi) Amount of Federal Funds Obligated by this action by the pass-through entity to the subrecipient;

(vii) Total Amount of Federal Funds Obligated to the subrecipient by the pass-through entity including the current obligation;

(viii) Total Amount of the Federal Award committed to the subrecipient by the pass-through entity;

(ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);

(x) Name of Federal awarding agency, pass-through entity, and contact information for awarding official of the Pass-through entity;

(xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;

(xii) Identification of whether the award is R&D; and

(xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs).

(2) All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award;

(3) Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the Federal awarding agency including identification of any required financial and performance reports;

(4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in §200.414 Indirect (F&A) costs, paragraph (f);

(5) A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of this part; and

(6) Appropriate terms and conditions concerning closeout of the subaward.

Condition:

We tested nine (9) subaward contract agreements for eight (8) subrecipients and noted the following exceptions concerning required information to be communicated to the subrecipient at the time of the award.

1. Four (4) of the nine (9) subaward agreements references the applicability of outdated regulations (e.g. OMB Circular A-87, OMB Circular A-110, OMB Circular A-133, etc.) instead of citing the applicability of the Uniform Guidance.
2. All nine (9) subaward agreements were missing the subrecpient's Data Universal Numbering System (DUNS) number.
3. Two (2) out of nine (9) subaward agreements did not include the Federal Award Identification Number (FAIN).
4. All nine (9) subaward agreements were missing the Federal Award Date.
5. All nine (9) subaward agreements did not provide identification to the subrecipient whether the federal award is Research and Development (R&D).
6. All nine (9) subaward agreements did not include an indirect cost rate, or an approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal government, or if no such rate exists, either the rate negotiated between the Agency and the subrecipient, or a de minims indirect cost.

The audit finding was not a repeat of a finding in the immediate prior year audit.

Cause:

Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), was applicable to non-federal entities for federal awards received on or after December 26, 2014. It is our understanding that the Agency was aware of the changes that occurred due to the applicability of the Uniform Guidance, however, due to the timing of receiving notification of the federal award and entering into the subaward agreements, not all of the necessary information was available at the time of the subaward, such as the federal award date and the FAIN.

Effect:

The Agency was not in compliance with the section 200.331 of the Uniform Guidance regarding communicating subaward information to its subrecipients. There is a risk that the subrecipients receiving CDBG funds from the Agency do not have all the required federal award information necessary to comply with the Uniform Guidance reporting requirements.

Questioned Costs:

There are no questioned costs.

Recommendation:

The Agency should review all its existing subaward agreements involving the pass-through of federal funds and determine whether amendments to those agreements are required to include all the necessary subaward information in accordance with section 200.331 of the Uniform Guidance. Furthermore, the Agency is currently in the process of reviewing and revising its standardized subrecipient agreement template to incorporate all the required subaward information that must be communicated to subrecipients at the time of award, to the extent the Agency has the information.

Management Response:

Management agrees with Finding 2015-002. Corrective action has been taken to ensure the subrecipient agreements include all necessary information. The Agency has begun per HUD Notice CPD-16-04 to update the contract provisions to include Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). This information was to be in place by July 13, 2016 to which the references were included. We are aware of the difference between HUD and OMB's timelines, and on endeavoring to continue updates to all materials to ensure better clarification. In addition, the Agency has begun to include the Data Universal Numbering System (DUNS) number and the Federal Award Identification Number (FAIN), and language pertaining to the Indirect Cost Rate and Research and Development to all subrecipient agreements as of September 23, 2016. It is difficult to state the exact Federal Award Date on the subrecipient agreement given that the Agency has no knowledge on when the federal award letters will arrive. Provided that the Agency must meet CDBG timeliness requirements it is impossible to wait until the federal award letters arrive to issue contracts.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015

None

SHRA
INVESTING IN COMMUNITIES

A Joint Powers Agency

MEMBERS

City of Sacramento

County of Sacramento

Housing Authority of the City of Sacramento

Housing Authority of the County of Sacramento

Corrective Action Plan: Finding 2015-001 – Notes Receivable

Per §200.511(C) – *Audit findings follow-up*, at the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in § 200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date.

Corrective Action Plan: The Agency has implemented additional internal controls to ensure that a three-way reconciliation is performed between the notes receivable balances recorded in the general ledger financial system (OneSolution), the loan portfolio database maintained by the Agency's Portfolio Management Department, and the loan portfolio records maintained by the Agency's third-party loan administrator (Amerinational). The reconciliation between the three independent books of record will help identify any anomalies and will serve as a checks and balance to ensure all records are synced. The reconciliations will be performed at least annually by an Accountant and reviewed and approved by a Management Analyst. Any discrepancies will be researched and resolved prior to yearend closing.

Anticipated Completion Date: December 31, 2016
Contact Person: Accountant/Director of Finance

INVESTING IN COMMUNITIES

A Joint Powers Agency

MEMBERS

City of Sacramento

County of Sacramento

Housing Authority of the City of Sacramento

Housing Authority of the County of Sacramento

Corrective Action Plan: Finding 2015-002

Per §200.511(C) – *Audit findings follow-up*, at the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in § 200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date.

Corrective Action Plan: The Agency is currently in the process of updating the provisions to clearly identify Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and eliminate the eight OMB Circulars that have been superseded by the Uniform Guidance. Per HUD Notice CPD-16-04 the effective date for this to be in place was by July 13, 2016 to which references were included. We are aware of the difference between HUD and OMB's timelines, and on endeavoring to continue updates to all materials to ensure better clarification.

In addition, revisions are being made to all subrecipient agreements. Attached is the draft standard subrecipient agreement that clearly identifies the subrecipients Data Universal Numbering System (DUNS) number and the Federal Award Identification Number (FAIN). The contract also recognizes that the funds are not to be used for Research and Development and includes indirect cost rate language. All future contracts as of September 23, 2016, will have this information.

As mentioned in the Single Audit discussion on Thursday, September 22, 2016, it is difficult to state the exact Federal Award Date on the subrecipient agreement given that the Agency has no knowledge on when the federal award letters will arrive. Provided that the Agency must meet CDBG timeliness requirements it is impossible to wait until the federal award letters arrive to issue contracts. Causing contracts to be executed with the federal award year instead. We are currently eleven months removed from the approval of the 2016 Action Plan and still have not received our official federal award letters.

Anticipated Completion Date: October 31, 2016
Contact Person: Assistant Director, Development & Federal Programs