

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
FEDERAL SINGLE AUDIT REPORT
YEAR ENDED DECEMBER 31, 2019



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**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
FEDERAL SINGLE AUDIT REPORT
YEAR ENDED DECEMBER 31, 2019**

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	1
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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 (the Agency), as of and for the year ended December 31, 2019, 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 13, 2020. Our report includes a reference to other auditors who audited the financial statements of the Norwood Avenue Housing Corporation (a blended component unit) as described in our report on the Agency's financial statements.

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.

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Sacramento Housing and Redevelopment Agency

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 results of that testing, and not to provide an opinion on the effectiveness of the Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Roseville, California
July 13, 2020



INDEPENDENT AUDITORS' 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

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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 the Agency's major federal programs for the year ended December 31, 2019. The Agency's major federal programs are identified in the summary of auditors' 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.

Auditors' 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.

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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, 2019.

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 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 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, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements. We issued our report thereon dated July 13, 2020, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors who audited the financial statements of the Norwood Avenue Housing Corporation (blended component unit), as described in our report on the Agency's financial statements. Our audit was conducted for the purpose of forming opinions on the

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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, based on the results of our audit and the reports of other auditors, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Roseville, California
July 13, 2020

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Expenditures	Amounts Provided to Subrecipients
Department of Housing and Urban Development Direct Programs			
Community Development Block Grants/Entitlement Grants:			
Community Development Block Grants/Entitlement Grants (Entitlements)	14.218	\$ 7,163,379	\$ 1,704,795
Community Development Block Grants/Entitlement Grants (Program Income)	14.218	136,442	-
Community Development Block Grants/Entitlement Grants (Beginning Loan Balance)	14.218	15,220,681	-
Community Development Block Grants - Neighborhood Stabilization Program:			
Neighborhood Stabilization Program 3 (Entitlements)	14.218	21,904	-
Neighborhood Stabilization Program 3 (Program Income)	14.218	9,900	-
Neighborhood Stabilization Program 1 (Beginning Loan Balance)	14.218	7,963,988	-
Total Community Development Block Grants/Entitlement Grants		<u>30,516,294</u>	<u>1,704,795</u>
Community Development Block Grants - Section 108 Loans	14.248	324,483	-
Community Development Block Grants - Section 108 Loans (Beginning Loan Balance)	14.248	5,499,991	-
Total Community Development Block Grants - Section 108		<u>5,824,474</u>	<u>-</u>
Emergency Solutions Grant Program	14.231	851,365	812,218
Home Investment Partnerships Program:			
Home Investment Partnerships Program (Entitlements)	14.239	2,710,656	-
Home Investment Partnerships Program (Program Income)	14.239	318,268	-
Home Investment Partnerships Program (Beginning Loan Balance)	14.239	116,774,173	-
Total Home Investment Partnerships Program		<u>119,803,097</u>	<u>-</u>
Housing Opportunities for Persons with AIDS			
Housing Opportunities for Persons with AIDS (Entitlements)	14.241	792,661	274,911
Continuum of Care Program	14.267	4,405,784	-
Public and Indian Housing	14.850	10,896,534	-
Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856	142,612	-
Resident Opportunity and Supportive Services - Service Coordinators	14.870	170,462	-
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	14.871	114,041,635	-
Mainstream Vouchers	14.879	169,164	-
Total Housing Voucher Cluster		<u>114,210,799</u>	
Public Housing Capital Fund	14.872	5,589,213	-
Choice Neighborhoods Implementation Grants	14.889	5,281,701	-
Jobs-Plus Pilot Initiative	14.895	404,408	-
Family Self-Sufficiency Program	14.896	174,390	-
Total Expenditures of Federal Awards		<u>\$ 299,063,794</u>	<u>\$ 2,791,924</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019**

NOTE 1 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 1 of the Sacramento Housing and Redevelopment Agency's (the Agency) financial statements.

NOTE 2 LOAN PROGRAMS WITH CONTINUING COMPLIANCE REQUIREMENTS

The Agency participates in the Community Development Block Grants/Entitlement Grants, Community Development Block Grants – Section 108 Loans and Home Investment Partnerships federal loan programs. The balance of the loans from previous years and current year loan activity, as required under the Uniform Guidance, are presented in the Schedule of Expenditures of Federal Awards.

The following is a summary of changes in federal loan balances for the year ended December 31, 2019:

	Balance at January 1, 2019	Activity in Current Year	Balance at December 31, 2019
Community Development Block Grants/Entitlement Grants	\$ 23,184,669	\$ (460,739)	\$ 22,723,930
Community Development Block Grants - Section 108 Loans	5,499,991	-	5,499,991
Home Investment Partnerships Program	116,774,173	(2,109,103)	114,665,070
Totals	<u>\$ 145,458,833</u>	<u>\$ (2,569,842)</u>	<u>\$ 142,888,991</u>

NOTE 3 INDIRECT COSTS

The Agency did not elect to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes no
 - Significant deficiency(ies) identified? _____ yes none reported

3. Noncompliance material to financial statements noted? _____ yes no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? _____ yes no
 - Significant deficiency(ies) identified? _____ yes none reported

2. Type of auditors’ report issued on compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes no

Identification of Major Federal Programs

CFDA Number(s)

14.871/14.879
14.889

Name of Federal Program or Cluster

Housing Voucher Cluster
Choice Neighborhood Implementation Grant

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 3,000,000

Auditee qualified as low-risk auditee?

yes no

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).



**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2019**

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

U.S. Department of Housing and Urban Development

The Sacramento Housing and Redevelopment Agency respectfully submits the following summary schedule of prior audit findings for the year ended December 31, 2019.

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

Audit period: January 1, 2018 – December 31, 2018

FINDINGS—FINANCIAL STATEMENT AUDIT

There were no financial statement findings in the prior year.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

2018-001 – Schedule of Expenditures of Federal Awards (SEFA)

Condition: The Agency's schedule of expenditures of federal awards (SEFA) did not accurately report beginning loan balances on the SEFA as required by Uniform Guidance for federal programs 14.218 and 14.239. In addition, the Agency incorrectly under reported expenditures for federal program 14.218 on the preliminary SEFA, which caused an additional program to be tested.

Status: This finding has been corrected in the current year.

2018-002 – Public and Indian Housing Eligibility

Condition: During our testing, we noted that the Agency did not review open casefiles when an employee left to ensure that the recertifications were completed timely.

Status: This finding has been corrected in the current year.

2018 – 003 – 60002 Submissions

Condition: During our testing, we noted that the Agency did not submit the HUD 60002's timely.

Status: This finding has been corrected in the current year.

If the U.S. Department of Housing and Urban Development has questions regarding this schedule, please call Susana Jackson, CFO at (916) 440-1373.



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