



HOUSING AUTHORITY of the COUNTY of RIVERSIDE



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
& SINGLE AUDIT REPORT**

FOR THE YEAR ENDED JUNE 30, 2017

HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE

Single Audit Report
For the Year Ended June 30, 2017

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Board of Supervisors
Housing Authority of the County of Riverside
Riverside, CA

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

INDEPENDENT AUDITORS' REPORT

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 of the Housing Authority of the County of Riverside, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Housing Authority of the County of Riverside's basic financial statements, and have issued our report thereon dated October 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority of the County of Riverside'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 Housing Authority of the County of Riverside's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the County of Riverside'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 the assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a significant deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 Housing Authority of the County of Riverside's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the County of Riverside'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


October 11, 2017



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REPORT ON COMPLIANCE ON 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

INDEPENDENT AUDITORS' REPORT

Report on Compliance for Each Major Federal Program

We have audited Housing Authority of the County of Riverside's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the County of Riverside's major federal programs for the year ended June 30, 2017. Housing Authority of the County of Riverside'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 major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Housing Authority of the County of Riverside's major federal programs based on our audit of the type 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 Housing Authority of the County of Riverside'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 Housing Authority of the County of Riverside's compliance.

Opinion on Each Major Federal Program

In our opinion, Housing Authority of the County of Riverside 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, 2017.

Report on Internal Control Over Compliance

Management of Housing Authority of the County of Riverside 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 Housing Authority of the County of Riverside’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 Housing Authority of the County of Riverside’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal controls 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 the 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards by the Uniform Guidance

We have audited the financial statements of the Housing Authority of the County of Riverside as of and for the year ended June 30, 2017, and have issued our report thereon dated October 11, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. 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 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 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 financial statements or to the financial statements themselves, and other additional procedure 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 financial statements as a whole.


October 11, 2017

HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE

Schedule of Expenditures of Federal Awards
For the Year June 30, 2017

FEDERAL PROGRAM	CFDA No.	Program No.	Program Expenditures
US Department of Housing and Urban Development (HUD)			
<i>Direct Funding</i>			
Public and Indian Housing	14.850	CA02700105J	\$ 797,505
Public Housing Capital Fund		CA16P027 50114	113,609
Public Housing Capital Fund		CA16P027 50115	456,906
Public Housing Capital Fund		CA16P027 50116	537,101
Subtotal	14.872		<u>1,107,616</u>
Section 8 Moderate Rehabilitation		CA027MR 0004	514,086
Section 8 Moderate Rehabilitation		CA027MR 0010	196,318
Subtotal	14.856		<u>710,404</u>
Section 8 Housing Choice Voucher	14.871	CA027VO	76,208,901
Resident Opportunity and Supportive Services	14.870	CA027RPS093A008	67,305
Supportive Housing for Persons with Disabilities Mainstream	14.870		<u>288,658</u>
Total Direct Funding			<u>79,180,389</u>
<i>Indirect Funding</i>			
Housing Opportunities for Persons With AIDS [1]	14.241	CA027 HOPWA	948,093
Emergency Solutions Grant [1] [2]	14.231		12,311
HOME Investment Partnership Program [1]	14.239	CA027 TBRA	607,724
Continuum of Care [3]	14.267		995,656
Community Development Block Grant [4]	14.218		10,000
Shelter Plus Care [3]	14.238		124,384
Total Indirect Funding			<u>2,698,168</u>
Total US Department of HUD			<u>81,878,557</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 81,878,557</u></u>

- Passthrough from the City of Riverside. [1]
- Passthrough from the Riverside County EDA. [2]
- Passthrough from the Riverside County DPSS. [3]
- Passthrough from the County of Riverside. [4]

HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Expenditures of Federal Awards

Scope of Presentation

The Schedule of Expenditures of Federal Awards (Schedule) includes the activity of all federal award programs administered by the primary government except for the federal activity of the Riverside Community Housing Corporation (RCHC), a blended component unit of the Housing Authority of the County of Riverside (Authority). RCHC is excluded from the Schedule and is subject to a separate audit in compliance with OMB Uniform Guidance.

The accompanying schedule presents the expenditures incurred (and related awards received) by the Authority that are reimbursable under federal programs of federal agencies providing financial assistance and state awards. For the purposes of this schedule, only the portion of program expenditures reimbursable with such federal or state funds are reported in the accompanying schedule. Program expenditures in excess of the maximum federal or state reimbursement authorized or the portion of the program expenditures that were funded with local or other nonfederal funds are excluded from the accompanying schedule.

Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the County of Riverside and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Uniform Guidance. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

(2) Subrecipients

During the fiscal year ended June 30, 2017, the Authority disbursed a portion of the HOPWA funds to subrecipients. Below is a schedule of subrecipients for the fiscal year ended June 30, 2017.

Agency	Amount
Catholic Charities	\$71,493
Foothill Aids Project	\$62,649
Desert Aids Project	\$371,962

(3) 10% De Minimis Indirect Cost Rate

The Authority has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE

Schedule of Findings & Questioned Costs
For the Year Ended June 30, 2017

SECTION I - Summary of Auditors' Results

Financial Statements

1. Type of Auditor Report on the financial statements: Unmodified.
2. Internal control over financial reporting:
- a. Material weakness identified _____ yes X no
- b. Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported
3. Noncompliance material to financial statements? _____ yes X no

Federal Awards

4. Internal control over major programs:
- a. Material weakness identified _____ yes X no
- b. Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported
5. Type of auditors' report on compliance for major programs: Unmodified.
6. Audit findings noted which are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

7. Identification of Major Programs:

CFDA No.	Name of Federal Program(s)
14.871	Section 8 Housing Choice Vouchers

8. The Dollar Threshold Used To Distinguish Between Type A and Type B Programs: \$2,456,357
9. Auditee qualified as a low-risk auditee? X yes _____ no

SECTION II – Financial Statement Findings

None noted.

SECTION III – Federal Award Findings and Questioned Costs

There are no auditor findings to be reported in accordance with 2 CFR 200.516(a).

HOUSING AUTHORITY OF THE COUNTY OF RIVERSIDE

Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2017

Finding No. 2016-001 Financial Statement Errors, Deficiencies, Lack of Appropriate Controls over Financial Reporting and Controls over Management of Financial Reporting Procedures – Significant Deficiency

Condition, cause & effect: Based upon the results of our procedures during the audit, we believe the Housing Authority of the County of Riverside has a lack of controls regarding the accounting for notes receivable. Specifically, we noted lending activity and interest calculations related to notes receivable were currently tracked manually by the Finance Department. It was discovered that there were several instances in which interest was not calculated on notes receivable in the prior year. This resulted in the current financial statements not including accrued interest, also interest income was not recorded in prior years which resulted in a prior period adjustment.

Status: Corrected.