

Single Audit Report
Community Development Commission of
the County of Los Angeles, California
Year ended June 30, 2011
with Report of Independent Auditors

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**Report of Independent Auditors 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***

**The Honorable Members of the Board of Commissioners
Community Development Commission of the
County of Los Angeles, California**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Community Development Commission of the County of Los Angeles, California (Commission) as of and for the year ended June 30, 2011, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated November 17, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners and management of the Community Development Commission of the County of Los Angeles, as well as its federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Virquez + Company LLP

Los Angeles, California
November 17, 2011

Report of Independent Auditors on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

**The Honorable Members of the Board of Commissioners
Community Development Commission of the
County of Los Angeles, California**

Compliance

We have audited the compliance of the Community Development Commission of the County of Los Angeles, California (Commission) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended June 30, 2011. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

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 Commission'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. Our audit does not provide a legal determination of the Commission's compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Commission'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Commission as of and for the year ended June 30, 2011, and have issued our report thereon dated November 17, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Commission's 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners and management of the Community Development Commission of the County of Los Angeles, as well as its federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Vargay + Company LLP

**Los Angeles, California
November 17, 2011**

**Community Development Commission of
the County of Los Angeles, California
Schedule of Expenditures of Federal Awards
Year ended June 30, 2011**

<u>Federal Grantor/Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Direct Programs:		
Lower Income Housing Assistance Program		
Section 8 Moderate Rehabilitation	14.856	\$ 2,836,252
Community Development Block Grants	14.218	41,083,548 *
Community Development Block Grant ARRA Entitlement Grants (Recovery Act Funded)	14.253	2,900,572 *
Emergency Shelter Grants Program	14.231	1,343,136
Shelter Plus Care	14.238	7,913,569
HOME Investment Partnerships Program	14.239	14,715,508 *
Homelessness Prevention and Rapid Re-housing Program (Recovery Act Funded)	14.257	7,488,313 *
Public and Indian Housing - Owned Housing Program	14.850	6,752,328
Resident Opportunity and Supportive Services	14.870	573,061
Section 8 Housing Choice Vouchers	14.871	248,951,235 *
Section 8 Rental Certificate Program - project based	14.857	2,019,417 *
Community Development Block Grant - Section 108 Loan Guarantee Program	14.248	6,069,830
Economic Development Initiative	14.246	6,833,391 *
Public Housing Capital Fund	14.872	8,138,170 *
Public Housing Capital Fund Competitive (Recovery Act Funded)	14.884	2,910,356 *
Public Housing Capital Fund Stimulus (Recovery Act Funded)	14.885	2,838,418 *
Total U.S. Department of Housing and Urban Development		<u>363,367,104</u>
<u>U.S. Department of Transportation</u>		
Direct Program:		
Airport Improvement Program	20.106	<u>4,872,612 *</u>
<u>U.S. Department of Commerce</u>		
Direct Program:		
Economic Adjustment Assistance	11.307	<u>14,887,614 ** *</u>
<u>U.S. Department of Education</u>		
Direct Program:		
Fund for the Improvement of Education	84.215	<u>66,746</u>
<u>U.S. Department of Labor</u>		
Direct Program:		
Workforce Investment Act (WIA) Pilots, Demonstrations, and Research Projects	17.261	<u>120,007</u>
<u>U.S. Department of Health and Human Services</u>		
Direct Program:		
Independent Living Program	93.674	<u>1,978,991</u>
Total Expenditures of Federal Awards		<u>\$ 385,293,074</u>

* Major programs.

** In determining Type A programs, this program requires that the following be considered as part of expenditures of federal awards:

1. Balance of Revolving Loan Fund (RLF) loans outstanding at the end of the fiscal year	\$ 7,893,425
2. Cash and investment balance in the RLF at the end of the fiscal year	5,724,603
3. Expenses paid out of RLF during the fiscal year	1,269,586
Total expenditures of federal awards considered in determining Type A programs	<u>\$ 14,887,614</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards and Report of Independent Auditors on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.

**Community Development Commission of
the County of Los Angeles, California
Notes to Schedule of Expenditures of Federal Awards
Year ended June 30, 2011**

NOTE 1 GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the Community Development Commission of the County of Los Angeles, California (Commission), a component financial reporting unit of the County of Los Angeles, California. The Commission's reporting entity is defined in note 1 of the notes to the Commission's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies to the Commission are included in the accompanying schedule.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the basis of accounting prescribed by the respective granting agency. Differences between the grantee-agency basis of accounting and the modified-accrual basis of accounting used by the Commission are primarily as follows:

- Amounts disbursed for notes receivable are treated as expenditures.
- Notes receivable collections are treated as grant income.
- Principal payments of long-term debt are treated as a reduction of the long-term debt and are not considered to be expenditures.

NOTE 3 RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Total expenditure amounts reported in the accompanying schedule of expenditures of federal awards agree with the total expenditure amounts reported in the related federal financial reports in all material respects.

NOTE 4 RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

Federal award activities are recorded in the Commission's Special Revenue and Enterprise Funds in the basic financial statements.

**Community Development Commission of
the County of Los Angeles, California
Schedule of Findings and Questioned Costs
Year ended June 30, 2011**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued on the financial statements:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified:	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over its major programs:	
• Material weakness(es) identified:	No
• Significant deficiency(ies) identified?	None reported
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	None reported

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
14.253	Community Development Block Grant ARRA Entitlement Grants (Recovery Act Funded)
14.239	Home Investment Partnerships Program
14.257	Homelessness Prevention and Rapid Re-housing Program (Recovery Act Funded)
14.246	Economic Development Initiative
14.871	Section 8 Housing Choice Vouchers
14.857	Section 8 Rental Certificate Program - Project Based
14.872	Public Housing Capital Fund
14.885	Public Housing Capital Fund Stimulus (Recovery Act Funded)
14.884	Public Housing Capital Fund Competitive (Recovery Act Funded)
11.307	Economic Adjustment Assistance
20.106	Airport Improvement Program

**Community Development Commission of
the County of Los Angeles, California
Schedule of Findings and Questioned Costs
Year ended June 30, 2011**

Section I – Summary of Auditors’ Results (Continued)

Dollar threshold used to distinguish between Type A and Type B programs:	\$3,000,000
Auditee qualified as a low-risk auditee:?	No

**Community Development Commission of
the County of Los Angeles, California
Schedule of Findings and Questioned Costs
Year ended June 30, 2011**

Section II – Financial Statement Findings

There were no financial statement findings noted during the fiscal year ended June 30, 2011.

**Community Development Commission of
the County of Los Angeles, California
Schedule of Findings and Questioned Costs
Year ended June 30, 2011**

Section III – Federal Award Findings

There were no federal award findings noted during the fiscal year ended June 30, 2011.

Finding 2010-01 – Internal Controls Over Payments Under HAP Contracts

Program: Section 8 Housing Choice Vouchers

CFDA No.: 14.871

Federal Grantor: Department of Housing and Urban Development

Pass-through entity: Not applicable

Award Year: Fiscal Year 2009-2010

Compliance Requirement: Allowable/Unallowable Costs

Recommendation

Vasquez & Company LLP recommended that the Housing Authority implement stricter controls and procedures to ensure that payments are discontinued timely for terminated contracts. It was also recommended that the Housing Authority implement procedures that would penalize landlords/owners for not reporting contract termination on time.

Current Year Status

Implemented. During the Fiscal Year 2010-2011, HACoLA implemented measures that reduced the amount and number of overpayments. Continuous efforts are being made in achieving the goal.

