

**Single Audit Report**  
**Community Development Commission of**  
**the County of Los Angeles, California**  
***Year ended June 30, 2012***  
***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, 2012, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated November 15, 2012. 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

Management of the Commission is responsible for establishing and maintaining effective 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.

*Vargay + Company LLP*

**Los Angeles, California  
November 15, 2012**

**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, 2012. The Commission's major federal programs are identified in the summary of auditors' 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, 2012.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commission as of and for the year ended June 30, 2012, and have issued our report thereon dated November 15, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 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 financial statements 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.

*Vargus + Company LLP*

**Los Angeles, California  
November 15, 2012**

**Community Development Commission of  
the County of Los Angeles, California  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2012**

<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	\$ 2,953,653
Community Development Block Grants	14.218	36,541,872
Community Development Block Grant ARRA Entitlement Grants (Recovery Act Funded)	14.253	1,883,274
Emergency Shelter Grants Program	14.231	1,559,438
Shelter Plus Care	14.238	8,735,024 *
HOME Investment Partnerships Program	14.239	14,221,706
Homelessness Prevention and Rapid Re-housing Program (Recovery Act Funded)	14.257	3,417,875 *
Public and Indian Housing - Owned Housing Program	14.850	8,570,202 *
Resident Opportunity and Supportive Services	14.870	358,701
Section 8 Housing Choice Vouchers	14.871	249,986,379 *
Section 8 Rental Certificate Program - project based	14.857	2,099,607 *
Community Development Block Grant - Section 108 Loan Guarantee Program	14.248	3,147,170 *
Economic Development Initiative	14.246	3,146,644
Public Housing Capital Fund Cluster:		
Public Housing Capital Fund	14.872	7,762,848 *
Public Housing Capital Fund Competitive (Recovery Act Funded)	14.884	2,525,751 *
Public Housing Capital Fund Stimulus (Recovery Act Funded)	14.885	41,470 *
Total U.S. Department of Housing and Urban Development		<u>346,951,614</u>
<u>U.S. Department of Transportation</u>		
Direct Program:		
Airport Improvement Program	20.106	<u>10,316,955</u>
<u>U.S. Department of Commerce</u>		
Direct Program:		
Economic Adjustment Assistance	11.307	<u>14,690,467 **</u>
<u>U.S. Department of Labor</u>		
Direct Program:		
Workforce Investment Act (WIA) Pilots, Demonstrations, and Research Projects	17.261	<u>59,930</u>
<u>U.S. Department of Health and Human Services</u>		
Direct Program:		
Independent Living Program	93.674	<u>494,986</u>
Total Expenditures of Federal Awards		<u>\$ 372,513,952</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	\$ 7,975,400
2. Cash and investment balance in the RLF at the end of the fiscal year	5,811,866
3. Expenses paid out of RLF during the fiscal year	903,201
Total expenditures of federal awards considered in determining Type A programs	<u>\$ 14,690,467</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, 2012**

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**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 in exchange for notes receivable are treated as expenditures under the grantee-agency basis of accounting.
- Notes receivable collections are treated as grant income under the grantee-agency basis of accounting.
- Principal payments of long-term debt are treated as a reduction of the long-term debt and are not considered to be expenditures under the grantee-agency basis of accounting.

**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, except for the effect of the differences described in Note 2.

**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, 2012**

**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>
14.238	Shelter Plus Care
14.850	Public and Indian Housing – Owned Housing Program
14.257	Homelessness Prevention and Rapid Re-housing Program (Recovery Act Funded)
14.871	Section 8 Housing Choice Vouchers
14.857	Section 8 Rental Certificate Program - Project Based
14.248	Community Development Block Grant - Section 108 Loan Guarantee Program
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)

**Community Development Commission of  
the County of Los Angeles, California  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2012**

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**Section I – Summary of Auditors' Results (Continued)**

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

**Community Development Commission of  
the County of Los Angeles, California  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2012**

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**Section II – Financial Statement Findings**

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There were no financial statement findings noted during the fiscal year ended June 30, 2012.

**Community Development Commission of  
the County of Los Angeles, California  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2012**

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**Section III – Federal Award Findings**

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There were no federal award findings noted during the fiscal year ended June 30, 2012.

**Community Development Commission of  
the County of Los Angeles, California  
Status of Prior Year's Audit Findings  
Year ended June 30, 2012**

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

