

**Single Audit Report**  
**Community Development Commission of**  
**the County of Los Angeles, California**  
***Year ended June 30, 2013***  
***with Report of Independent Auditors***

	<u>PAGE</u>
<b>REPORTS OF INDEPENDENT AUDITORS</b>	
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	1
Report of Independent Auditors on Compliance for Each Major Program, on Internal Control Over Compliance, and on the Schedule of Expenditures of Federal Awards, in Accordance with OMB Circular A-133	3
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	6
<b>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	7
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	9
<b>STATUS OF PRIOR YEAR AUDIT FINDINGS</b>	11

**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, 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 Community Development Commission of the County of Los Angeles, California (Commission), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 22, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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. 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 Commission'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 result of that testing, and not to provide an opinion on the effectiveness of the Commission'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.

Vargay + Company LLP

**Los Angeles, California  
November 22, 2013**

**Report of Independent Auditors on Compliance for Each Major Federal Program, on  
Internal Control Over Compliance, and on the Schedule of Expenditures  
of Federal Awards, 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**

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of the Community Development Commission of the County of Los Angeles, California (the Commission) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Commission's major federal program for the year ended June 30, 2013. The Commission'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance of the Commission'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 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2013.

## **Report on Internal Control Over Compliance**

Management of the Commission 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 Commission's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal programs 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. 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 or significant deficiencies 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 Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements. We issued our report thereon dated November 22, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion 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 OMB Circular A-133 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 basic 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.

*Vargus + Company LLP*

**Los Angeles, California  
November 22, 2013**

**Community Development Commission of  
the County of Los Angeles, California  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2013**

<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	\$ 3,016,656 *
Community Development Block Grants	14.218	20,127,442
Community Development Block Grant ARRA Entitlement Grants (Recovery Act Funded)	14.253	163,207
Emergency Solutions Grant Program	14.231	1,674,822 *
Shelter Plus Care	14.238	8,891,883
HOME Investment Partnerships Program	14.239	16,844,123
Homelessness Prevention and Rapid Re-housing Program (Recovery Act Funded)	14.257	2,855
Public and Indian - Owned Housing Program	14.850	7,972,430
Resident Opportunity and Supportive Services	14.870	310,041
Section 8 Housing Choice Vouchers	14.871	248,425,255 *
Section 8 Rental Certificate Program - project based	14.857	2,098,995
Public Housing Capital Fund	14.872	8,530,660
		<u>318,058,369</u>
Total U.S. Department of Housing and Urban Development		
<u>U.S. Department of Transportation</u>		
Direct Program:		
Airport Improvement Program	20.106	<u>13,365,209</u>
<u>U.S. Department of Commerce</u>		
Direct Program:		
Economic Adjustment Assistance	11.307	<u>15,689,931 **</u>
		<u>\$ 347,113,509</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	\$ 8,925,618
2. Cash and investment balance in the RLF at the end of the fiscal year	4,416,637
3. Expenses paid out of RLF during the fiscal year	2,347,676
Total expenditures of federal awards considered in determining Type A programs	<u>\$ 15,689,931</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, 2013**

---

**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 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  
Notes to Schedule of Expenditures of Federal Awards  
Year ended June 30, 2013**

---

**NOTE 5 PUBLIC HOUSING CAPITAL FUND**

Public Housing Capital Fund (CFDA # 14.872) expenditures were broken down as follows:

<u>Program Identification Number</u>	<u>Amount</u>
CA16P002501-09	\$ 385,098
CA16P002501-10	1,499,974
CA16P002501-11	2,355,649
CA16P002501-12	4,262,750
CA16P002501-13	27,189
	<u>\$ 8,530,660</u>

**Community Development Commission of  
the County of Los Angeles, California  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2013**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued on the financial statements	Unmodified
Internal control over financial reporting	
Material weakness(es) identified	No
Significant deficiency(ies) identified that are not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	No

**Federal Awards**

Internal control over its major programs	
Material weakness(es) identified	No
Significant deficiency(ies) identified that are not considered to be material weaknesses	None reported
Type of auditors’ report issued on compliance for its major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB A-133	None

**Identification of Major Programs:**

<u>CFDA Number</u>	<u>Name of Federal Program</u>	
14.856	Lower Income Housing Assistance Section 8 Moderate Rehabilitation Program	
14.871	Section 8 Housing Choice Vouchers Program	
14.231	Emergency Solutions Grant Program	
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, 2013**

---

---

**Section II – Financial Statement Findings**

---

There were no financial statement findings noted during the fiscal year ended June 30, 2013.

---

**Section III – Federal Award Findings**

---

There were no federal award findings noted during the fiscal year ended June 30, 2013.

**Community Development Commission of  
the County of Los Angeles, California  
Status of Prior Year Audit Findings  
Year ended June 30, 2013**

---

---

**Section IV – Status of Prior Year Findings**

---

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

