

***COMMUNITY DEVELOPMENT COMMISSION OF THE
COUNTY OF LOS ANGELES, CALIFORNIA***

**Single Audit Report
Year Ended June 30, 2008**

(With Report of Independent Auditors Thereon)

**COMMUNITY DEVELOPMENT COMMISSION OF
THE COUNTY OF LOS ANGELES, CALIFORNIA**

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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, 2008, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 8, 2008. 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.

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*.

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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read 'Simpson & Simpson', written in black ink.

Los Angeles, California
December 8, 2008



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Report of Independent Auditors on Compliance with Requirements Applicable to 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 are applicable to each of its major federal programs for the year ended June 30, 2008. 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, except for the noncompliance described in the schedule of findings and questioned costs, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.



Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, 2008, and have issued our report thereon dated December 8, 2008. 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 is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read 'Simpson & Simpson', written in a cursive style.

Los Angeles, California

February 20, 2009, except for the section "Schedules of Expenditures of Federal Awards", as to which the date is December 8, 2008

**COMMUNITY DEVELOPMENT COMMISSION OF
THE COUNTY OF LOS ANGELES, CALIFORNIA**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2008

<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:			
Section 8 Project-Based Cluster			
Section 8 New Construction and Substantial Rehabilitation	14.182	\$ 336,037	
Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation	14.856	3,822,239	
Subtotal Section 8 Project-Based Cluster		<u>4,158,276</u>	
Community Development Block Grants	14.218	37,603,535	
Emergency Shelter Grants Program	14.231	1,245,679	*
Shelter Plus Care	14.238	5,519,526	
HOME Investment Partnerships Program	14.239	20,194,610	*
Economic Development Initiative	14.246	2,562,100	*
Community Development Block Grants-Section 108 Loan Guarantees	14.248	3,000,000	
Public and Indian Housing-Owned Housing Program	14.850	6,685,284	
Section 8 Rental Certificate Program – project based	14.857	2,461,007	*
Resident Opportunity and Supportive Services	14.870	480,322	
Section 8 Housing Choice Vouchers	14.871	182,860,015	*
Public Housing Capital Fund	14.872	4,666,084	(A)
Independent Living Program	93.674	2,332,523	
		<u>269,610,685</u>	
 Total U.S. Department of Housing and Urban Development		 <u>273,768,961</u>	
<u>U.S. Department of Transportation</u>			
Direct Program:			
Airport Improvement Program	20.106	17,262,958	* (B)
 Total Expenditures of Federal Awards		 \$ <u>291,031,919</u>	

*** Major programs.**

(A) The breakdown for the Public Housing Capital Fund is as follows:

<u>Program Identification Number</u>		
CA16P002-501-03	\$	60,681
CA16P002-501-04		264,650
CA16P002-501-05		1,602,826
CA16P002-501-06		857,828
CA16P002-501-07		1,780,247
CA16R002-501-03		8,044
CA16R002-501-04		63,547
CA16R002-501-05		28,261
	\$	<u>4,666,084</u>

(B) The breakdown for the Airport Improvement Program is as follows:

Los Angeles World Airport	\$	12,891,783
Federal Aviation Administration		4,371,175
	\$	<u>17,262,958</u>

See accompanying notes to the schedule of expenditures of federal awards and report of independent auditors on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.

**COMMUNITY DEVELOPMENT COMMISSION OF
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2008

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 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
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2008

SECTION 1 – 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 that are not considered to be material weaknesses? Yes

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 that are not considered to be material weaknesses? None reported

Type of auditors’ report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.239	HOME
14.231	Emergency Shelter Grant
14.871	Section 8 Housing Choice Vouchers
14.246	Economic Development Initiative
14.857	Section 8 Rental Certificate Program
20.106	Airport Improvement 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
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2008

SECTION 2 – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION 3 – FEDERAL AWARD FINDINGS

Federal Program Title: Section 8 Housing Choice Vouchers
Awarding Agency: Department of Housing and Urban Development
Catalog of Federal Domestic Assistance (CFDA) Number: 14.871
Award Year: Fiscal year June 30, 2008

Finding No. 1- Tenant Reexaminations Were Not Performed in a Timely Manner

Criteria:

Public Housing Agencies (PHAs) are required to reexamine family income and composition at least once every 12 months and adjust the tenant rent and housing assistance payment as necessary using the documentation from third party verification (24 CFR section 982.516).

Condition

On a non statistical sample basis, we tested a sample of seventy five (75) tenant file and noted that eight (8) of the files did not have the annual reexamination performed on time. Furthermore, the Housing Authority of County of Los Angeles (HACoLA)'s internal report for Annual Reexaminations as of June 30, 2008 shows that there were 1,364 out of approximately 20,000 reexaminations that were not completed in a timely manner.

Cause and Effect

Even though HACoLA has internal controls designed to detect and monitor the status of the delinquent files, the controls does not appear to be effective to ensure reexaminations are performed on timely basis. By not performing the reexaminations in a timely manner the Housing Authority is not in compliance with HUD requirements. The HACoLA may have tenants that were no longer eligible for the program still participating in the program and therefore may incur costs that were disallowed.

Questioned Costs

The questioned costs can not be quantified.

**COMMUNITY DEVELOPMENT COMMISSION OF
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Recommendation

We recommend that the HACoLA implement procedures to ensure that reexaminations are performed on timely basis. Also, we recommend that all of the annual reexaminations that have not occurred annually should be reviewed as soon as possible to determine their eligibility status.

Management Response

HACoLA agrees with this finding and has implemented internal controls to eliminate delinquent annual reexaminations. HACoLA has developed and implemented Standard Operating Procedures (SOP) for all work functions, provided staff training, and implemented the new Yardi Software System to automate more processes and combined various software functions. The reexamination process was converted from a functional system to a case management approach to establish greater accountability, efficiency, and effectiveness over the long term. Finally, the HACoLA is currently procuring a housing consultant to assist with the completion of reexaminations.

Finding No. 2-Annual HQS Inspections Not Performed On Time

Criteria

Public Housing Agencies must inspect the unit leased to a family at least annually to determine if the unit meets Housing Quality Standards (HQS) and the PHA must conduct quality control reinspections (24 CFR sections 982.158(d) and 982.405(b)). Annual Inspections are done to ensure that the housing unit is safe, decent and sanitary for the tenant. Reinspections should occur within every 12 month period after the end of the last inspection for each tenant in the program over one year.

Condition

On a non statistical sample basis, we tested a sample of seventy five (75) tenant files and noted that two (2) of the files did not have the annual reinspections performed on time. Furthermore, the internal report for Annual Reinspections as of August 2008 (June 30, 2008 report was not available) shows 683 delinquent annual HQS inspections out of approximately 20,000 tenant files.

Cause and Effect

Even though HACoLA has internal controls designed to detect and monitor the status of the delinquent reinspection files, the controls does not appear to be effective to ensure HQS reinspection are performed on timely basis. By not performing the HQS Inspections in a timely manner the HACoLA was not in compliance with HUD requirements. Moreover, the HACoLA may have potential risks of tenants living in housing units that did not meet the Housing Quality Standards.

**COMMUNITY DEVELOPMENT COMMISSION OF
THE COUNTY OF LOS ANGELES, CALIFORNIA**

Questioned Costs

The questioned costs can not be quantified.

Recommendation

We recommend that the HACoLA implement procedures to ensure that Annual HQS Inspections being performed on timely basis. Also, we recommend that all of the annual inspections that have not occurred that were over 12 months should be reviewed as soon as possible.

Management Response

HACoLA's agrees with this finding and has addressed this finding. HACoLA converted from a manual system to an automated (code 13) program to submit inspection information to HUD's Public Indian Housing Information Center (PIC) system in a timely manner. Additionally, training was provided to assist staff in scheduling inspections and correcting PIC errors. In FY 2007-08, 99% inspections were completed.

Finding No. 3 - Utility Allowance Calculated Incorrectly

Criteria

The PHA must maintain an up-to-date utility allowance schedule. The PHA must review utility rate data for each utility category each year and must adjust its utility allowance schedule if there has been a rate change of 10 percent or more for utility category or fuel type since last time the utility allowance schedule was revised (24 CFR section 982.517). The utility allowance is provided to the tenant to help reduce the additional cost of utilities if it is not paid by the owner. The utility allowance is subtracted from the Total Tenant Payment (TTP) to determine the family's rent to the owner. The utility allowance is based on the actual unit size selected by the tenant not the voucher size of the unit.

Condition

We noted that the utility allowance was not calculated correctly for one (1) out of our sample of fifty (50) tenant files:

Tenant ID	Per Housing Authority	Per Audit	Over/(Under) Payment
13668	\$107	\$63	\$44

**COMMUNITY DEVELOPMENT COMMISSION OF
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Cause and Effect

There does not appear to be adequate training/supervision over utility allowance calculations. The calculation of the utility allowance was a manual process. There were many pages that the staff must flip through to find the appropriate information to use for the calculation. The staff also must use a "Utility Allowance Schedule" which lists the region and the rates to use for bedroom size, and the various types of utilities such as gas, electric, water, and trash. Proper training and supervision are the key to lower the risk of errors. By not performing the calculation for utility allowances correctly the HACoLA is not in compliance with HUD requirements.

Questioned Costs

\$44.

Recommendation

We recommend that the HACoLA implement procedures for staff receive proper training and supervision in how to obtain the correct information to determine the amount of utility allowance each tenant should receive. We also recommend that supervision and review process to be in place for the calculations of all the utility allowances to determine that they were calculated properly.

Management Response

HACoLA's agrees with this finding and will correct the \$44 questioned cost immediately. HACoLA will continue to provide staff training.

***COMMUNITY DEVELOPMENT COMMISSION OF
THE COUNTY OF LOS ANGELES, CALIFORNIA***

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2008

No findings were reported for the fiscal year ended June 30, 2008.