

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY**  
**FEDERAL SINGLE AUDIT REPORT**  
**YEAR ENDED DECEMBER 31, 2021**



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**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
FEDERAL SINGLE AUDIT REPORT  
YEAR ENDED DECEMBER 31, 2021**

<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>1</b>
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**INDEPENDENT AUDITORS' 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***

Members of the City Council and County Board of Supervisors,  
Housing Authority of the City and County of Sacramento, and  
Sacramento Housing and Redevelopment Commission  
Sacramento, California

We have audited, in accordance with 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Sacramento Housing and Redevelopment Agency (the Agency), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated May 19, 2023. Our report includes a reference to other auditors who audited the financial statements of the Norwood Avenue Housing Corporation (a blended component unit) as described in our report on the Agency's financial statements.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing 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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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.

Members of the City Council and County Board of Supervisors,  
Housing Authority of the City and County of Sacramento, and  
Sacramento Housing and Redevelopment Commission  
Sacramento, California

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 have not been identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

***Report on Compliance and Other Matters***


As part of obtaining reasonable assurance about whether the Agency’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 financial statements. 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*.

***Sacramento Housing and Redevelopment Agency’s Response to Finding***

*Government Auditing Standards* require the auditor to perform limited procedures on the Agency’s response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Agency’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

***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 Agency’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 Agency’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Roseville, California  
October 6, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR 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**

Members of the City Council and County Board of Supervisors,  
Housing Authority of the City and County of Sacramento, and  
Sacramento Housing and Redevelopment Commission  
Sacramento, California

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

***Qualified and Unmodified Opinions***

We have audited the Sacramento Housing and Redevelopment Agency's (the Agency) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Agency's major federal programs for the year ended December 31, 2021. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Qualified Opinion on Public and Indian Housing***

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the Agency complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Public and Indian Housing for the year ended December 31, 2021.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the Agency 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 identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended for the year ended December 31, 2021.

***Basis for Qualified and Unmodified Opinions***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

Honorable Members of the City Council, Housing Authority  
of the City of Sacramento,  
County Board of Supervisors, Housing Authority  
of the County of Sacramento, and  
Sacramento Housing and Redevelopment Commission  
Sacramento Housing and Redevelopment Agency

We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Agency's compliance with the compliance requirements referred to above.

*Matters Giving Rise to Qualified Opinion on Public and Indian Housing*

As described in the accompanying schedule of findings and questioned costs, the Agency did not comply with requirements regarding Assistance Listing No. 14.850 Public and Indian Housing as described in finding numbers 2021-005 for Special Tests and Provisions and 2021-006 for Eligibility.

Compliance with such requirements is necessary, in our opinion, for the Agency to comply with the requirements applicable to that program.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Agency's federal programs.

***Auditors' Responsibility for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

Honorable Members of the City Council, Housing Authority  
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Sacramento Housing and Redevelopment Agency

- Obtain an understanding of the Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Agency's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-002, 2021-003, 2021-004 and 2021-007. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Agency's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-005 and 2021-006 to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-002, 2021-003, 2021-004 and 2021-007 to be significant deficiencies.

Honorable Members of the City Council, Housing Authority  
of the City of Sacramento,  
County Board of Supervisors, Housing Authority  
of the County of Sacramento, and  
Sacramento Housing and Redevelopment Commission  
Sacramento Housing and Redevelopment Agency


Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Agency's response to internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Agency's response was not subject to the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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 Agency as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements. We issued our report thereon dated May 19, 2023, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors who audited the financial statements of the Norwood Avenue Housing Corporation (blended component unit), as described in our report on the Agency's financial statements. Our audit was conducted for the purpose of forming opinions 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 the Uniform Guidance 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 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, based on the results of our audit and the reports of other auditors, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



**CliftonLarsonAllen LLP**

Roseville, California  
October 6, 2023



**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2021**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Passed Through to Subrecipients
<b>Department of Housing and Urban Development Direct Programs:</b>				
Community Development Block Grants/Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants (Entitlements)	14.218	N/A	\$ 10,609,995	\$ 1,688,045
COVID-19 Community Development Block CARES Act -CV1 and CV3	14.218	N/A	2,869,821	1,464,815
Community Development Block Grants/Entitlement Grants (Program Income)	14.218	N/A	189,009	-
Community Development Block Grants/Entitlement Grants (Beginning Loan Balance)	14.218	N/A	14,192,653	-
Community Development Block Grants Cluster - Neighborhood Stabilization Program:				
Neighborhood Stabilization Program 3 (Entitlements)	14.218	N/A	23,722	-
Neighborhood Stabilization Program 3 (Program Income)	14.218	N/A	153,714	-
Neighborhood Stabilization Program 1 (Beginning Loan Balance)	14.218	N/A	7,963,988	-
Community Development Block Grants Cluster - Section 108 Loans:				
Community Development Block Grants - Section 108 Loans	14.218	N/A	1,960,076	-
Community Development Block Grants - Section 108 Loans (Beginning Loan Balance)	14.218	N/A	5,499,991	-
Total Community Development Block Grants/Entitlement Grants Cluster			<u>43,462,969</u>	<u>3,152,860</u>
Emergency Solutions Grant Program	14.231	N/A	411,456	351,001
COVID-19 Emergency Solutions Grant Program CARES Act	14.231	N/A	5,885,764	5,667,589
			<u>6,297,220</u>	<u>6,018,590</u>
Home Investment Partnerships Program:				
Home Investment Partnerships Program (Entitlements)	14.239	N/A	563,860	-
Home Investment Partnerships Program (Program Income)	14.239	N/A	139,709	-
Home Investment Partnerships Program (Beginning Loan Balance)	14.239	N/A	115,268,119	-
Total Home Investment Partnerships Program			<u>115,971,688</u>	<u>-</u>
Housing Opportunities for Persons with AIDS:				
Housing Opportunities for Persons with AIDS (Entitlements)	14.241	N/A	952,123	668,350
COVID-19 Housing Opportunities for Persons with AIDS CARES Act	14.241	N/A	94,124	70,835
Housing Opportunities for Persons with AIDS (Program Income)	14.241	N/A	179	-
			<u>1,046,426</u>	<u>739,185</u>
Continuum of Care Program	14.267	N/A	4,997,171	-
Public and Indian Housing	14.850	N/A	10,389,793	-
COVID-19 Low Rent Public and Indian Housing CAREs Act	14.850	N/A	1,043,639	-
			<u>11,433,432</u>	<u>-</u>
Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856	N/A	117,125	-
Resident Opportunity and Supportive Services - Service Coordinators	14.870	N/A	152,726	-
Housing Voucher Cluster:				
Section 8 Housing Choice Vouchers	14.871	N/A	141,414,989	-
COVID-19 Section 8 Housing Choice Vouchers CARES Act	14.871	N/A	2,043,220	-
Emergency Housing Vouchers	14.871	N/A	593,654	-
Mainstream Vouchers	14.879	N/A	1,168,127	-
Mainstream Vouchers CARES Act	14.879	N/A	24,036	-
Total Housing Voucher Cluster			<u>145,244,026</u>	<u>-</u>
Public Housing Capital Fund	14.872	N/A	3,344,319	-
HOPE VI Cluster:				
Choice Neighborhoods Implementation Grants	14.889	N/A	6,440,066	-
Jobs-Plus Pilot Initiative	14.895	N/A	-	-
PH Family Self-Sufficiency Program	14.896	N/A	67,364	-
PH/HCV Family Self-Sufficiency Program	14.896	N/A	142,761	-
			<u>210,125</u>	<u>-</u>
Total Department of Housing and Urban Development			338,717,293	9,910,635
<b>U.S. Department of Treasury Direct Program</b>				
COVID-19 Coronavirus Relief Fund	21.019	N/A	97,139	-
Passed through the City of Sacramento:				
Emergency Rental Assistance	21.023	N/A	35,573,064	-
Passed through the County of Sacramento:				
Emergency Rental Assistance	21.023	N/A	50,757,768	-
Total Expenditures of Federal Awards			<u>\$ 425,145,264</u>	<u>\$ 9,910,635</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2021**

**NOTE 1 BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) is prepared on the modified accrual basis of accounting for grants accounted for in governmental funds and the accrual basis of accounting for grants accounted for in proprietary funds, as described in Note 1 of the Sacramento Housing and Redevelopment Agency’s (the Agency) financial statements. Assistance Listing Number 21.019 follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 2 LOAN PROGRAMS WITH CONTINUING COMPLIANCE REQUIREMENTS**

The Agency participates in the Community Development Block Grants/Entitlement Grants, Community Development Block Grants – Section 108 Loans and Home Investment Partnerships federal loan programs. The balance of the loans from previous years and current year loan activity, as required under the Uniform Guidance, are presented in the Schedule of Expenditures of Federal Awards.

The following is a summary of changes in federal loan balances for the year ended December 31, 2021:

	Balance at January 1, 2021	Activity in Current Year	Balance at December 31, 2021
Community Development Block Grants/Entitlement Grants	\$ 22,156,641	\$ (1,960,073)	\$ 20,196,568
Community Development Block Grants - Section 108 Loans	5,499,991	1,960,076	7,460,067
Home Investment Partnerships Program	115,268,119	-	115,268,119
Totals	<u>\$ 142,924,751</u>	<u>\$ 3</u>	<u>\$ 142,924,754</u>

**NOTE 3 INDIRECT COSTS**

The Agency did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2021**

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

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**Financial Statements**

1. Type of auditors’ report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified
  
2. Internal control over financial reporting:
  - Material weakness(es) identified?     x     yes            no
  - Significant deficiency(ies) identified?            yes     x     none reported
  
3. Noncompliance material to the financial statements noted?            yes     x     no

**Federal Awards**

1. Internal control over major federal programs:
  - Material weakness(es) identified?     x     yes            no
  - Significant deficiency(ies) identified?     x     yes            none reported
  
2. Type of auditors’ report issued on compliance for major federal programs: 
 Modified – Public and Indian Housing  
 Unmodified – Community Development Block Grants Cluster  
 Unmodified – Housing Voucher Cluster  
 Unmodified – Public Housing Capital Fund  
 Unmodified – Emergency Rental Assistance Program
  
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?     x     yes            no

**Identification of Major Federal Programs**

Assistance Listing Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grants Cluster
14.850	Public and Indian Housing
14.871/14.879	Housing Voucher Cluster
14.872	Public Housing Capital Fund
21.023	Emergency Rental Assistance Program

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

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

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***Section II – Financial Statement Findings***

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**Finding 2021-001 FINANCIAL CLOSE PROCESS**

**Type of Finding:** Material Weakness in Internal Control over Financial Reporting

**Condition:** There were multiple adjusting journal entries and one prior period adjustment recorded during the audit. This is indicative of a lack of internal controls over the financial reporting and financial close processes. The Agency does not have a policy in place to provide reasonable assurance that the trial balance is prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); therefore, the potential exists that a material misstatement of the annual financial statements could occur and not be prevented, or detected and corrected, by the organization's internal controls.

**Criteria or Specific Requirement:** The Internal Control-Integrated Framework (COSO Report) requires adequate internal controls over financial reporting to ensure that transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and demonstrate compliance with laws, regulations and other compliance requirements. Internal controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

**Context:** During the audit, SHRA (the Agency) identified significant adjusting journal entries that were needed to be recorded in order to properly state its accounting records.

Specifically, we noted the following:

- Significant entries to cash and investments
- Elimination of intercompany transactions
- Significant entries to capital assets
- Significant entries to loan receivables
- Prior period adjustment to loan receivables
- Significant entries to various revenue and expense accounts

**Effect:** The lack of controls in place over the financial reporting function increases the risk of misstatements, fraud, or errors occurring and not being detected and corrected. Inefficient controls over the financial reporting and close process could result in inaccurate account balances, a significant number of audit adjustments or a lack of timely financial information. Inaccurate reporting to HUD could adversely affect the Agency's funding.

**Cause:** The Agency did not properly establish and implement sufficient internal controls over financial reporting to ensure the timely and accurate recording of financial transactions.

**Repeat Finding:** This is a Repeat finding. (2020-001)

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

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***Section II – Financial Statement Findings (Continued)***

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**Recommendation:** The Agency should evaluate its' financial reporting and close processes and controls to determine whether additional controls over the preparation of the final trial balances and related schedules can be implemented to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP. We recommend the Agency to review its' current procedures for reconciliations and year end close procedures and evaluate the number of staff assigned to various accounting functions to ensure that staffing is appropriate.

**Views of Responsible Officials:** There is no disagreement with this audit finding.

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

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***Section III – Federal Award Findings and Questioned Costs***

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**2021-002**

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Name: Housing Choice Voucher Cluster

Assistance Listing Number: 14.871

Federal Award Identification Number and Year: CA005/CA007 2021

Award Period: January 1, 2021 – December 31, 2021

Type of Finding:

- Significant Deficiency in Internal Control over Compliance, Other Matters

**Criteria or specific requirement: Eligibility**

Most PHAs devise their own application forms that are filled out by the PHA staff during an interview with the tenant. The head of the household signs (a) one or more release forms to allow the PHA to obtain information from third parties; (b) a federally prescribed general release form for employment information; and (c) a privacy notice. Under some circumstances, other members of the family are required to sign these forms (24 CFR sections 5.212 and 5.230).

The PHA must do the following:

- (1) As a condition of admission or continued occupancy, require the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility (24 CFR sections 5.230, 5.609, and 982.516).
- (2) For both family income examinations and reexaminations, obtain and document in the family file third party verification of (1) reported family annual income; (2) the value of assets; (3) expenses related to deductions from annual income; and (4) other factors that affect the determination of adjusted income or income-based rent (24 CFR section 982.516).
- (3) Determine income eligibility and calculate the tenant's rent payment using the documentation from third party verification in accordance with 24 CFR Part 5 Subpart F (24 CFR section 5.601 et seq.) (24 CFR sections 982.201, 982.515, and 982.516).
- (5) 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:** During the testing of the Housing Choice Voucher Program tenant files, certain special provision compliance deficiencies were noted. Of the tenant files provided, auditor noted the following items:

- 2 instances where the housing authority failed to process annual examination within 12 months.

**Questioned costs:** \$30,898

**Context:** Out of 40 HCV tenant files tested, 2 tenant files contained errors as noted above.

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

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***Section III – Federal Award Findings and Questioned Costs (Continued)***

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**2021-002 (Continued)**

**Cause:** The housing authority failed to provide adequate monitoring and oversight to ensure compliance with HUD rules and regulations, as well as their administrative policy.

**Effect:** The Authority is not in compliance with federal regulations regarding the calculation of the rent and verification of the tenants income.

**Repeat Finding:** This is not a repeat finding.

**Recommendation:** We recommend management should designate one person to review a sample of the files that have been recertified each month. The purpose of the review is to determine if the tenant files were prepared in accordance with internal policies and verify the compliance deficiencies have been corrected.

**Views of responsible officials:** There is no disagreement with the audit finding.

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

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***Section III – Federal Award Findings and Questioned Costs (Continued)***

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**2021-003**

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Name: Housing Choice Voucher Cluster

Assistance Listing Number: 14.871

Federal Award Identification Number and Year: CA005/CA007 2021

Award Period: January 1, 2021 – December 31, 2021

Type of Finding:

- Significant Deficiency in Internal Control over Compliance, Other Matters

**Criteria or specific requirement:** Special Tests and Provisions-Annual HQS Inspections

The PHA 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 re-inspections. The PHA must prepare a unit inspection report (24 CFR sections 982.158(d) and 982.405(b)).

**Condition:** During the testing of the Housing Choice Voucher program tenant files for the biennial HQS, certain deficiencies were noted.

Of the files tested, on 5 cases the Agency failed to perform biennial inspection within time requirements.

**Questioned costs:** \$52,063

**Context:** Out of the 40 files tested, 5 contains errors as noted above.

**Cause:** The Agency failed to scheduled inspection in a timely manner to assure biennial inspection was performed within 24 months.

**Effect:** The Agency is not in compliance with federal regulations regarding the HQS inspections.

**Repeat Finding:** This is not a repeat finding.

**Recommendation:** We recommend that the Agency designate an individual to review HQS inspections to assure they are done in a timely manner.

**Views of responsible officials:** There is no disagreement with the audit finding.



**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

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***Section III – Federal Award Findings and Questioned Costs (Continued)***

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**2021-004**

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Name: Housing Choice Voucher Cluster

Assistance Listing Number: 14.871

Federal Award Identification Number and Year: CA005/CA007 2021

Award Period: January 1, 2021 – December 31, 2021

Type of Finding:

- Significant Deficiency in Internal Control over Compliance, Other Matters

**Criteria or specific requirement:** Special Tests and Provisions-HQS Enforcement

For units under HAP contract that fail to meet HQS, the PHA must require the owner to correct any life threatening HQS deficiencies within 24 hours after the inspections and all other HQS deficiencies within 30 calendar days or within a specified PHA-approved extension. If the owner does not correct the cited HQS deficiencies within the specified correction period, the PHA must abate HAP payments beginning no later than the first of the month following the specified correction period or must terminate the HAP contract. The owner is not responsible for a breach of HQS as a result of the family's failure to pay for utilities for which the family is responsible under the lease or for tenant damage. For family-caused defects, if the family does not correct the cited HQS deficiencies within the specified correction period, the PHA must take prompt and vigorous action to enforce the family obligations (24 CFR sections 982.158(d) and 982.404).

**Condition:** During the testing of the HCV tenant files, certain special provision compliance deficiencies were noted:

-2 instances where the re-inspections were not completed within 30 calendar days of the first failed inspection.

-8 instances where the Agency failed to properly abate HAP payments after the second failed inspection.

**Questioned costs:** \$19,928

**Context:** Out of the 40 files tested, 10 contains errors as noted above.

**Cause:** The Agency failed to follow their HQS Enforcement procedures.

**Effect:** The Agency is not in compliance with federal regulations regarding minimum housing quality standards and was paying housing assistance for units that did not meet these standards.

**Repeat Finding:** This is not a repeat finding.

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

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***Section III – Federal Award Findings and Questioned Costs (Continued)***

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**2021-004 (Continued)**

**Recommendation:** We recommend management should designate one person to oversee the inspection process to ensure that all inspections are being performed in a timely manner. Furthermore, management should ensure no HAP payments are issued for units that have not passed HQS housing inspections.

**Views of responsible officials:** There is no disagreement with the audit finding.

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

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***Section III – Federal Award Findings and Questioned Costs (Continued)***

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**2021-005**

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Name: Public and Indian Housing

Assistance Listing Number: 14.850

Federal Award Identification Number and Year: CA005/CA007 2021

Award Period: January 1, 2021 – December 31, 2021

Type of Finding:

- Material Weakness in Internal Control over Compliance, Material Noncompliance

**Criteria or specific requirement:** Special Tests and Provisions-Waiting List New Tenants

The PHA must establish and adopt written policies for admission of tenants. The PHA tenant selection policies must include requirements for applications and waiting lists, description of the policies for selection of applicants from the waiting lists, and policies for verification and documentation of information relevant to acceptance or rejections of an applicant (24 CFR sections 960.202 through 960.206).

**Condition:** During the testing of the Public and Indian Housing for the Agency files certain special provision compliance deficiencies were noted.

City

-2 instances out of 9 files reviewed where the initial signed application was missing.

County

-3 instances out of 5 files reviewed where the initial signed application was missing.

-2 instances out of 5 files reviewed where the tenant file was missing a copy of the selection letter.

**Questioned costs:** None

**Context:** Out of the 19 total files tested, 7 contains errors as noted above.

**Cause:** The Agency failed to provide required documentation to be in compliance with program requirements.

**Effect:** The Agency is not in compliance with federal regulations regarding the maintenance of the Public and Indian Housing waiting lists.

**Repeat Finding:** This is not a repeat finding.

**Recommendation:** We recommend management to assign a person that verifies all the documents are in place before processing new move ins.

**Views of responsible officials:** There is no disagreement with the audit finding.

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

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***Section III – Federal Award Findings and Questioned Costs (Continued)***

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**2021-006**

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Name: Public and Indian Housing

Assistance Listing Number: 14.850

Federal Award Identification Number and Year: CA005/CA007 2021

Award Period: January 1, 2021 – December 31, 2021

Type of Finding:

- Material Weakness in Internal Control over Compliance, Material Noncompliance

**Criteria or specific requirement: Eligibility**

Most PHAs devise their own application forms that are filled out by the PHA staff during an interview with the tenant. The head of household signs (a) a certification that the information provided to the PHA is correct; (b) one or more release forms to allow the PHA to get information from third parties; (c) a federally prescribed general release form for employment information; and (d) a privacy notice. Under some circumstances, other members of the family may be required to sign these forms (24 CFR sections 5.212, 5.230, and 5.601 through 5.615).

b.

The PHA must do the following:

- (1) As a condition of admission or continued occupancy, require the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility (24 CFR sections 5.230, 5.609, and 960.259).
  - (2) For both family income examinations and reexaminations, obtain and document in the family file third party verification of (a) reported family annual income, (b) the value of assets, (c) expenses related to deductions from annual income, and (d) other factors that affect the determination of adjusted income or income-based rent (24 CFR section 960.259).
  - (3) Determine income eligibility and calculate the tenant's rent payment using the documentation from third party verification in accordance with 24 CFR Part 5, Subpart F (24 CFR sections 5.601 et seq., and 24 CFR sections 960.253, 960.255, and 960.259).
  - (4) Select tenants from the public housing waiting list (see III.N.2, "Special Tests and Provisions – Public Housing Waiting List") (24 CFR sections 960.206 and 960.208).
  - (5) 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 sections 960.253, 960.257, and 960.259).
- (a)The Rental Demonstration program prohibits PHAs from rescreening or requiring a tenant recertification due solely to a RAD conversion. However, this requirement does not eliminate the normally scheduled recertification (normally annually). Recertifications required to be performed as part of the normal tenant recertification process that occur after the RAD conversion, but before the end of the calendar year, will be conducted under the selected conversion program (PBV or PBRA) and not Public Housing. These recertifications are to be conducted to ensure that tenant payments are appropriate under the new program. Any testing that results in an audit finding should be a finding of the PBV or PBRA program and not of the public housing program.

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

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***Section III – Federal Award Findings and Questioned Costs (Continued)***

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**2021-006 (Continued)**

(b) Eligible beneficiaries are lower income families, which include citizens or eligible immigrants. “Families” include, but are not limited to, (1) a family with or without children; (2) an elderly family (head, spouse, or sole member 62 years or older); (3) near-elderly family (head, spouse, or sole member 50 years old but less than 62 years old); (4) a disabled family; (5) a displaced family; (6) the remaining member of a tenant family; or (7) a single person who is not elderly, near-elderly, displaced, or a person with disabilities.

**Condition:** During the testing of the Public and Indian Housing tenant files for the City and the County certain special provision compliance deficiencies were noted.

City:

- 33 instances where the income, assets, and/or expenses calculated on the 50058 (A report for on families participating in Federal Public Housing) was not supported with verifications.
- 2 instances where the tenant file was missing the HUD9886.
- 1 instance where the tenant file was missing the housing authority general release of information form.
- 33 instances where the tenant file was missing the lease/rent adjustment letter.
- 33 instances where the tenant file was missing the recertification package/application.
- 8 instances where the rent posted per register did not agree with the rent per 50058.

County:

- 8 instances where the income, assets, and/or expenses calculated on the 50058 was not supported with verifications.
- 1 instance where the tenant file was missing the HUD9886.
- 1 instance where the tenant file was missing the housing authority general release of information form.
- 5 instances where the tenant file was missing the lease/rent adjustment letter.
- 5 instances where the tenant file was missing the recertification package/application.
- 3 instances where the rent posted per register did not agree with the rent per 50058.

**Questioned costs:** Unknown

**Context:** Out of the 40 files tested for the City, 33 contained errors and out of the 40 files tested for the County, 11 contained errors, as noted above.

**Cause:** The Agency failed to provide required documentation to be in compliance with program requirements.

**Effect:** The Agency is not in compliance with federal regulations regarding the determination of eligibility.

**Repeat Finding:** This is not a repeat finding.

**Recommendation:** We recommend management to assign a person that verifies all the documents are in place before processing the determination of eligibility.

**Views of responsible officials:** There is no disagreement with the audit finding.

**SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2021**

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***Section III – Federal Award Findings and Questioned Costs (Continued)***

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**2021 – 007**

Federal Agency: U.S. Department of Housing & Urban Development (HUD)

Federal Program Name: Community Development Block Grants/Entitlements Grants

Assistance Listing Number: 14.218

Federal Award Identification Number and Year: B-21-MC-06-0003/B-21-UC-06-0005/2021

Award Period: January 1, 2021, to December 31, 2021

Type of Finding: Significant Deficiency in Internal Control over Compliance, Other Matters

**Condition:** The Agency did not submit the required Federal Funding Accountability and Transparency Act report for the first-tier subawards from funding received under the program.

**Criteria or specific requirement:** Under the requirements of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282), as amended by Section 6202 of Pub. L. No. 110-252, hereafter referred as the “Transparency Act” that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

**Questioned Costs:** None

**Effect:** Noncompliance with reporting requirements for the federal program.

**Context:** Federal Funding Accountability and Transparency Act reporting was not submitted related to first-tier subrecipients with total awards passed through of \$3,152,860.

**Cause:** The program manager did not know that additional reporting was required.

**Repeat Finding:** This is not a repeat finding.

**Recommendation:** We recommend that the Agency provide additional training to program managers regarding the documentation of program compliance requirements and the development of internal controls to ensure that all compliance requirements are met.

**Views of responsible officials:** There is no disagreement with the audit finding.



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