

**HOME FORWARD**

Single Audit Reports

Year Ended March 31, 2017



Certified  
Public  
Accountants

**HOME FORWARD**  
**Single Audit Reports**  
Year Ended March 31, 2017

*Table of Contents*

	<i>Page</i>
Independent Auditor’s 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> .....	1
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance .....	3
Schedule of Expenditures of Federal Awards.....	7
Notes to the Schedule of Expenditures of Federal Awards.....	9
Schedule of Findings and Questioned Costs.....	11
Summary Schedule of Prior Audit Findings .....	14
Corrective Action Plan.....	15



**Independent Auditor’s 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 Board of Commissioners of  
Home Forward  
Portland, Oregon

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 the business-type activities and the aggregate discretely presented component units of Home Forward, Oregon, as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise Home Forward’s basic financial statements, and have issued our report thereon dated September 11, 2017.

Our report includes a reference to other auditors who audited the financial statements of the discretely presented component units of Home Forward, as described in our report on Home Forward’s financial statements. The financial statements of the discretely presented component units, except for the Gateway Park Limited Partnership, were not audited in accordance with *Government Auditing Standards*. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Home Forward’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 Home Forward’s internal control. Accordingly, we do not express an opinion on the effectiveness of Home Forward’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 Home Forward'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*. However, the results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Oregon State Regulations and is reported in our report on Home Forward's compliance with *Minimum Standards for Audits of Oregon Municipal Corporations*, dated September 11, 2017.

**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 entity'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.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

Walnut Creek, California  
September 11, 2017



**Independent Auditor's 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 Board of Commissioners of  
Home Forward  
Portland, Oregon

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

We have audited Home Forward's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Home Forward's major federal programs for the year ended March 31, 2017. Home Forward's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Home Forward'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 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). Those standards and the Uniform Guidance 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 Home Forward'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 each major federal program. However, our audit does not provide a legal determination of Home Forward's compliance.

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

In our opinion, Home Forward 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 major federal programs for the year ended March 31, 2017.

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

Management of Home Forward 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 Home Forward's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Home Forward'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001, that we consider to be a material weakness.

Home Forward's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. Home Forward's response was not subjected to the auditing procedures applied in 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 the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of Home Forward, as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise Home Forward's basic financial statements. We issued our report thereon dated September 11, 2017, which contained unmodified opinions on those financial statements. Our report also includes a reference to other auditors. 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 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, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Macias Gini & O'Connell LLP*

Walnut Creek, California  
September 11, 2017

This page intentionally left blank.

**HOME FORWARD**  
Schedule of Expenditures of Federal Awards  
Year Ended March 31, 2017

Grantor/Pass-Through Grantor/Program Title	Grantor Identifying Number	Federal CFDA Number	Expenditures
<b>U.S. Department of Housing and Urban Development:</b>			
<i>Direct:</i>			
Congregate Housing Services Program	DU100G0018280	14.170	\$ 337,646
Section 8 Project-Based Cluster:			
Section 8 Moderate Rehabilitation Single Room Occupancy	n/a	14.249	1,721,303
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	n/a	14.856	1,286,890
Subtotal Section 8 Project-Based Cluster			<u>3,008,193</u>
Continuum of Care Program	n/a	14.267	4,711,933
Demolition and Revitalization of Severely Distressed Public Housing	OR16URD0021110	14.866	264,113
Resident Opportunity and Supportive Services - Service Coordinators	n/a	14.870	170,771
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	n/a	14.871	8,520,664
Family Unification Program (FUP)	n/a	14.880	937,592
Subtotal Housing Voucher Cluster			<u>9,458,256</u>
Moving to Work Demonstration Program	n/a	14.881	91,453,109
Family Self-Sufficiency Program	n/a	14.896	522,354
Subtotal Direct Programs			<u>109,926,375</u>
<i>Pass-Through from City of Portland:</i>			
Community Development Block Grant/Entitlement Grants	Not Available	14.218	5,324
Emergency Solutions Grant Program	Not Available	14.231	267,673
Home Investment Partnerships Program	Not Available	14.239	890,476
Subtotal Pass-Through Programs			<u>1,163,473</u>
Total U.S. Department of Housing and Urban Development			<u>111,089,848</u>
<b>U.S. Department of Labor:</b>			
<i>Pass-Through from Worksystems, Inc.</i>			
Workforce Innovation Fund	12-60602	17.283	63,380
Total U.S. Department of Labor			<u>63,380</u>
<b>U.S. Department of Health and Human Services:</b>			
<i>Pass-Through from Multnomah County:</i>			
Temporary Assistance for Needy Families	Not Available	93.558	100,035
Block Grants for Prevention and Treatment of Substance Abuse	Not Available	93.959	219,217
Total U.S. Department of Health and Human Services			<u>319,252</u>
<b>U.S. Department of Homeland Security:</b>			
<i>Direct:</i>			
Emergency Food and Shelter National Board Program	ID #708000-011	97.024	212,098
Total U.S. Department of Homeland Security			<u>212,098</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 111,684,578</u>

See accompanying notes to the schedule of expenditures of federal awards.

This page intentionally left blank.

## **HOME FORWARD**

### **Notes to the Schedule of Expenditures of Federal Awards Year Ended March 31, 2017**

#### **NOTE 1 – GENERAL**

The Schedule of Expenditures of Federal Awards (Schedule) presents the activities of all federal award programs of Home Forward. Home Forward's reporting entity is defined in Note 1 of Home Forward's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the Schedule. The information in this Schedule is presented in accordance with the requirements Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements; Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Home Forward, it is not intended to and does not present the financial position, changes in net position or cash flows of Home Forward.

#### **NOTE 2 – BASIS OF ACCOUNTING**

Expenditures reported on the Schedule are reported on the accrual basis of accounting and include capitalized expenditures. Such expenditures are recognized following the cost principles contained in 2 CFR 200, Subpart E (Cost Principles), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Home Forward did not elect to use the 10% de minimis cost rate as covered in 2 CFR 200.414 Indirect (F&A) costs.

#### **NOTE 3 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

Amounts reported in the Schedule agree to or can be reconciled with the amounts reported in the related federal financial reports.

#### **NOTE 4 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Federal expenditures agree to or can be reconciled with the amounts reported in the Home Forward's basic financial statements.

#### **NOTE 5 – LOANS OUTSTANDING**

Home Forward participates in federal award programs that sponsor revolving loan programs, which are administrated by Home Forward and the City of Portland, Oregon (City). The City contracts Home Forward to collect loan repayments for these programs through servicing and trust arrangements. The funds are returned to the City upon repayment of the principal and interest. The federal government has imposed certain significant continuing compliance requirements with respect to the loans rendered under the Home Investment Partnerships (HOME) Program (CFDA number 14.239). The City is responsible to administer the continuing compliance requirements and report the outstanding loan balances. During the year ended March 31, 2017, Home Forward did not incur expenditures related to new loans under the HOME program.

This page intentionally left blank.

**HOME FORWARD**  
 Schedule of Findings and Questioned Costs  
 Year Ended March 31, 2017

**Section I – Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
◆ Material weakness(es) identified?	No
◆ Significant deficienc(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

*Federal Awards*

Internal control over major programs:	
◆ Material weakness(es) identified?	Yes
◆ Significant deficienc(ies) identified?	No
Type of auditor’s report issued on compliance for major programs:	Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516 of the Uniform Guidance	Yes
--	-----

Identification of major program(s):

<u>Program Title</u>	<u>CFDA Number:</u>
Section 8 Project-Based Cluster	14.249 and 14.856
Continuum of Care	14.267
Moving to Work Demonstration Program	14.881

Dollar threshold used to distinguish between type A and type B programs:	\$3,000,000
--	-------------

Auditee qualified as a low-risk auditee?	No
--	----

**Section II - Financial Statement Finding**

None reported.

**HOME FORWARD**  
Schedule of Findings and Questioned Costs  
Year Ended March 31, 2017

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

<b>Reference Number:</b>	<b>2017-001</b>
<b>Federal Agency:</b>	<b>U.S. Department of Housing and Urban Development</b>
<b>Federal Program Title:</b>	<b>Continuum of Care</b>
<b>Federal Catalog Number:</b>	<b>14.267</b>
<b>Federal Grant Number and Year:</b>	<b>None</b>
<b>Category of Finding:</b>	<b>Matching</b>
<b>Classification of Finding:</b>	<b>Material Weakness in Internal Control over Compliance</b>

**Criteria**

Pursuant to 24 CFR § 578.73 Matching requirements, the recipient or subrecipient must match all grant funds, except for leasing funds, with no less than 25 percent of funds or in-kind contributions from other sources. For Continuum of Care geographic areas in which there is more than one grant agreement, the 25 percent match must be provided on a grant-by-grant basis. Recipients that are Unified Funding Agency (UFA) or are the sole recipient for their Continuum, may provide match on a Continuum-wide basis. Cash match must be used for the costs of activities that are eligible under subpart D of this part, except that high-performing community (HPC) may use such match for the costs of activities that are eligible under § 578.71.

Subsection (c) further describe requirements for In-kind contributions:

- (1) The recipient or subrecipient may use the value of any real property, equipment, goods, or services contributed to the project as match, provided that if the recipient or subrecipient had to pay for them with grant funds, the costs would have been eligible under Subpart D, or, in the case of HPCs, eligible under § 578.71.92;
- (2) The requirements of 24 CFR 84.23 and 85.24 apply;
- (3) Before grant execution, services to be provided by a third party must be documented by a memorandum of understanding (MOU) between the recipient or subrecipient and the third party that will provide the services. Services provided by individuals must be valued at rates consistent with those ordinarily paid for similar work in the recipient's or subrecipient's organization. If the recipient or subrecipient does not have employees performing similar work, the rates must be consistent with those ordinarily paid by other employers for similar work in the same labor market.
  - (i) The MOU must establish the unconditional commitment, except for selection to receive a grant, by the third party to provide the services, the specific service to be provided, the profession of the persons providing the service, and the hourly cost of the service to be provided.
  - (ii) During the term of the grant, the recipient or subrecipient must keep and make available, for inspection, records documenting the service hours provided.

**Condition and Context**

Home Forward partnered with local sponsors which provide the in-kind services to fulfill this requirement. Of a total population of 11 grant agreements active for fiscal year 2017, we selected a statistically valid sample of 3, which include 5 matching reports, for testing. As part of our audit, we noted that Home Forward has not implemented procedures to verify that matching amounts reported by its partners are adequately supported and accurate upon receipt of the reports.

**HOME FORWARD**  
Schedule of Findings and Questioned Costs  
Year Ended March 31, 2017

Home Forward subsequently requested supporting documentation from the partners selected to prove that supporting records were maintained and matching amounts reported were from allowable activities in accordance with grant requirements.

**Cause**

Home Forward relied on the contractual agreements with the sponsors and the face value of the matching reports provided by the sponsors. Therefore, no further procedures were designed and put in place to verify the accuracy of reports.

**Effect**

Potential noncompliance with the matching requirement and Home Forward may not be able to detect unallowable activities or fraudulent reporting of activities

**Questioned Costs**

None

**Recommendation**

We recommend that Home Forward review its existing policies and implement procedures to monitor its partners by requesting and reviewing underlying support for matching transactions claimed.



The following is the status of the findings that were reported in Home Forward's Schedule of Findings and Questioned Costs for the year ended March 31, 2016.

*Comment #2016-001 – (Significant Deficiency in Internal Control over Compliance) – Eligibility and Special Tests and Provision (MTW Demonstration Program 14.881)*

**Audit Finding:** Home Forward did not have internal control procedures in place to ensure that initial eligibility determinations and reexaminations required to be completed by third management companies, which handled 439 out of a total of 2,332 Public Housing cases, were performed on time and in accordance to HUD eligibility requirements.

**Recommendation:** Home Forward was recommended to extend the existing quality control procedures of the initial eligibility determinations and reexaminations performed on the public housing units managed by Home Forward internally to the units managed by the third party management companies to ensure program compliance requirements were being followed.

**Status of Corrective Action:** Corrected

*Comment #2016-002 – (Control Deficiency in Internal Control over Compliance and Incident of Noncompliance) – Reporting (MTW Demonstration Program 14.881)*

**Audit Finding:** Out of 230 tenants who has ended their participation in the Public Housing Program during FY2016, one case showed that a *Family Report* was not completed and submitted.

**Recommendation:** Home Forward was recommended to extend its internal control procedures and monitoring to properties that are managed by the third party management companies.

**Status of Corrective Action:** Corrected



The following finding was reported in Home Forward's Schedule of Findings and Questioned Costs for the year ended March 31, 2017. Home Forward's Corrective Action Plan for this finding is as follows:

*Comment #2017-001 – (Material Weakness in Internal Control over Compliance) – Matching (Continuum of Care 14.267)*

On a quarterly basis, Home Forward will collect documentation of the value of in-kind services provided to Home Forward's Continuum of Care program participants by Home Forward's service agency partners in order to ensure adequate progress over the grant year towards meeting the program's 25% matching requirement.

The person responsible for implementation of this action plan is Ian Slingerland, Director of Homeless Initiatives. Implementation will occur by March 31 2018.