

HOME FORWARD

Single Audit Reports

Year Ended March 31, 2015

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Sacramento

Oakland

LA/Century City

Newport Beach

San Diego

**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, 2015, 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 14, 2015.

Our report includes a reference to other auditors and a scope limitation related to the Beech Street Limited Partnership, discretely presented component unit of Home Forward which was not audited. 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 of the Gateway Park Limited Partnership.

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*.

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.

Macias Gini & O'Connell LLP

Walnut Creek, California
September 14, 2015

**Independent Auditor's Report on Compliance for Each Major Program;
Report on Internal Control Over Compliance and Report on the Schedule of Expenditures of
Federal Awards Required by OMB Circular A-133**

Members of the Board of Commissioners of
Home Forward
Portland, Oregon

Report on Compliance for Each Major Federal Program

We have audited Home Forward compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Home Forward's major federal programs for the year ended March 31, 2015. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 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 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 its major federal programs for the year ended March 31, 2015.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

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, 2015, and the related notes to the financial statements, which collectively comprise Home Forward's basic financial statements. We issued our report thereon dated September 14, 2015, which contained a qualified opinion on those financial statements of discretely presented component units because Beech Street Limited Partnership, discretely presented component unit of Home Forward, was not audited. Our report also includes a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Macias Gini & O'Connell LLP

Walnut Creek, California
September 14, 2015

HOME FORWARD
Schedule of Expenditures of Federal Awards
Year Ended March 31, 2015

Grantor/Pass-Through Grantor/Program Title	Grantor Identifying Number	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development:			
<i>Direct:</i>			
Congregate Housing Services Program	DU100G0018280	14.170	\$ 417,279
Section 8 Project-Based Cluster:			
Section 8 Moderate Rehabilitation Single Room Occupancy	n/a	14.249	1,808,902
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	n/a	14.856	1,300,947
Subtotal Section 8 Project-Based Cluster			<u>3,109,849</u>
Continuum of Care Program	n/a	14.267	4,116,855
Demolition and Revitalization of Severely Distressed Public Housing	OR16URD0021110	14.866	2,790,702
Resident Opportunity and Supportive Services - Service Coordinators	n/a	14.870	229,662
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	n/a	14.871	5,183,964
Family Unification Program (FUP)	n/a	14.880	826,589
Subtotal Housing Voucher Cluster			<u>6,010,553</u>
Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Services	n/a	14.877	219,743
Moving to Work Demonstration Program	n/a	14.881	80,270,499
Family Self-Sufficiency Program	n/a	14.896	95,566
Subtotal Direct Programs			<u>97,260,708</u>
<i>Pass-Through from City of Portland:</i>			
Community Development Block Grant/Entitlement Grants	Not Available	14.218	21,661
Emergency Solutions Grant Program	Not Available	14.231	172,768
Home Investment Partnerships Program	Not Available	14.239	363,509
Subtotal Pass-Through Programs			<u>557,938</u>
Total U.S. Department of Housing and Urban Development			<u>97,818,646</u>
U.S. Department of Labor:			
<i>Pass-Through from Worksystems, Inc.</i>			
Workforce Innovation Fund	12-60602	17.283	258,676
Total U.S. Department of Labor			<u>258,676</u>
U.S. Department of Transportation:			
<i>Direct:</i>			
Federal Transit - Formula Grant	n/a	20.507	33,210
Total U.S. Department of Transportation			<u>33,210</u>
U.S. Department of Health and Human Services:			
<i>Pass-Through from Multnomah County:</i>			
Temporary Assistance for Needy Families	Not Available	93.558	130,741
Block Grants for Prevention and Treatment of Substance Abuse	Not Available	93.959	185,585
Total U.S. Department of Health and Human Services			<u>316,326</u>
U.S. Department of Homeland Security:			
<i>Direct:</i>			
Emergency Food and National Board Program Cluster:			
Emergency Food and Shelter National Board Program	ID #708000-011	97.024	220,185
Total U.S. Department of Homeland Security			<u>220,185</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 98,647,043</u>

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

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HOME FORWARD

Notes to the Schedule of Expenditures of Federal Awards Year Ended March 31, 2015

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 of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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. The programs maintain servicing and trust arrangements with Home Forward to collect loan repayments. The funds are returned to the programs 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 of Portland is responsible to administrate the continuing compliance requirements. During the year ended March 31, 2015, Home Forward did not incur any expenditure related to new loans under the HOME program. As of March 31, 2015, the total amount of HOME loans outstanding subject to continuing compliance requirements was \$865,392.

HOME FORWARD
 Schedule of Findings and Questioned Costs
 Year Ended March 31, 2015

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	We issued an unmodified opinion for the business-type activities and a qualified opinion for the aggregate discretely presented component units.
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?	No
◆ Significant deficienc(ies) identified?	None reported
Type of auditor’s report issued on compliance for major programs:	We issued an unmodified opinion.
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>Program Title</u>	<u>CFDA Number:</u>
Housing Voucher Cluster	14.871 and 14.880
Moving to Work Demonstration Program	14.881
Dollar threshold used to distinguish between type A and type B programs:	\$2,959,411
Auditee qualified as a low-risk auditee?	No

Section II - Financial Statement Finding

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.

HOME FORWARD
Summary Schedule of Prior Audit Finding
Year Ended March 31, 2015

Prior Year Federal Audit Findings – Major Federal Award Programs

Reference Number: **2014-001 – Special Tests and Provisions
(Housing Quality Standards)**
Control Deficiency in Internal Control over Compliance
Incident of Noncompliance
Continuum of Care Program, CFDA Number 14.267

Condition: During the testing of 40 out of 596 individual participants, we noted that annual housing quality inspections of 2 units were not performed timely. The department identified the errors and performed the required inspections subsequent to the due date of the annual inspections.

Recommendation: We recommend Home Forward improve the procedures and controls related to Housing Quality Standards inspections.

Current Status: Corrective action plan has been implemented.

Reference Number: **2014-002 – Reporting**
Control Deficiency in Internal Control over Compliance
Continuum of Care Program and Section 8 Project Based Cluster
CFDA Numbers 14.267, 14.249 and 14.856

Condition: The Assistant Director at the Rent Assistance Department prepared and submitted the APR reports. There were no secondary reviews or other mitigating controls procedure in place to ensure accuracy and completeness of the reports before submission.

Recommendation: We encourage Home Forward to cross-train the Rent Assistance Department staff in the reporting function and maintain proper levels of review to ensure the reports submitted are accurate.

Current Status: Corrective action plan has been implemented.