

**HOUSING AUTHORITY OF THE
COUNTY OF SANTA CLARA
(A Component Unit of the
County of Santa Clara)**

Single Audit Reports

For the Year Ended June 30, 2011



Certified Public Accountants.

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
For the Year Ended June 30, 2011

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Members of the Board of Commissioners of the
Housing Authority of the County of Santa Clara
San Jose, California

**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***

We have audited the financial statements of the business-type activities (primary government) and the aggregate discretely presented component units information of the Housing Authority of County of Santa Clara (the Authority), a component unit of the County of Santa Clara, California, as of and for the year ended June 30, 2011, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated March 28, 2012. Our report includes a reference to other auditors, a scope limitation related to Julian Street Partners, L.P., which was not audited and an explanatory paragraph describing the change in the Authority’s reporting entity. Except for the Julian Street Partners, L.P., we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the aggregate discretely presented component units, except for Julian Street Partners, L.P., as described in our report on the Authority’s financial statements. The audits of the aggregate discretely presented component units, except for the AE Associates, LTD; HACSC/Choices Family Associates, Opportunity Center Associates; Fairground Luxury Family Apartments; S.P.G. Housing Inc. and Subsidiaries; Villa Garcia, Inc.; Villa San Pedro HDC, Inc.; and Program Responsible in Daring Excellence, were not performed 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 those auditors.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated March 28, 2012.

This report is intended solely for the information and use of the Board of Commissioners of the Authority, the Authority management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & Connell LLP

Walnut Creek, California
March 28, 2012

Members of the Board of Commissioners of the
Housing Authority of County of Santa Clara
San Jose, California

**Independent Auditor’s Report on Compliance with Requirements
that Could Have a Direct and Material Effect on Each Major Program,
on Internal Control over Compliance in Accordance with
OMB Circular A-133 and Schedule of Expenditures of Federal and State Awards**

Compliance

We have audited the compliance of Housing Authority of County of Santa Clara (the Authority), a component unit of the County of Santa Clara, California, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority’s major federal programs for the year ended June 30, 2011. The Authority’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority’s management. Our responsibility is to express an opinion on the Authority’s compliance based on our audit.

The Authority’s basic financial statements include the operations of Villa Garcia, Inc., Villa San Pedro HDC, Inc., and the Program Responsible in Daring Excellence that expended \$2,396,357, \$1,499,495 and \$579,669, respectively, in federal awards for the years ended December 31, 2010, December 31, 2010 and June 30, 2011, respectively, and which are not included in the schedule of expenditures of federal and state awards for the year ended June 30, 2011. Our audit, described below, did not include the operations of Villa Garcia, Inc., Villa San Pedro HDC, Inc. or the Program Responsible in Daring Excellence because other auditors were engaged to perform the audits of Villa Garcia, Inc., Villa San Pedro HDC Inc. and the Program Responsible in Daring Excellence in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority’s compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected or corrected, on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of the business-type activities (primary government) and the aggregate discretely presented component units information of the Authority as of and for the year ended June 30, 2011, and have issued our report thereon dated March 28, 2012, which contained a qualified opinion on the financial statements of the aggregate discretely presented component units because the Julian Street Partners, L.P., a discretely presented component unit, was not audited. Our report includes a reference to other auditors and an explanatory paragraph describing the change in the Authority's reporting entity. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Authority's financial statements. The accompanying schedule of expenditures of federal and State 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information and use of the Board of Commissioners of the Authority, the Authority management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

 Macias Gini & Connell LLP

Walnut Creek, California
March 28, 2012

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2011

Grantor/Pass-Through Grantor/Program Title	Grantor Identifying Number	Federal CFDA Number	Expenditures
<i>Direct:</i>			
Shelter Plus Care	n/a	14.238	\$ 2,406,647
Section 8 Project Based Cluster:			
Section 8 Moderate Rehabilitation Single Room Occupancy	n/a	14.249	543,167
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	n/a	14.856	<u>610,620</u>
Subtotal Section 8 Project Based Cluster			<u>1,153,787</u>
Housing Voucher Cluster			
Section 8 Housing Choice Vouchers	n/a	14.871	2,545,700
Family Unification Program (FUP)	n/a	14.880	<u>1,503,059</u>
Subtotal Housing Voucher Cluster			<u>4,048,759</u>
Mainstream Vouchers	n/a	14.879	706,619
Moving To Work Demonstration Program	n/a	14.881	<u>254,793,867</u>
Total U.S. Department of Housing and Urban Development			<u>263,109,679</u>
Total Expenditures of Federal Awards			<u>\$ 263,109,679</u>
State of California:			
Pass-through Department of Housing and Community			
Development (HCD) - Division of Community Affairs - Office			
of Migrant Services Migrant - Labor Housing (Operation)	09-OMS-900	n/a	\$ 153,110
	09-OMS-925	n/a	<u>199,446</u>
Total Expenditures of State Awards			<u>\$ 352,556</u>

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

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HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

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Notes to the Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2011

NOTE 1 – GENERAL

The Schedule of Expenditures of Federal and State Awards (the Schedule) presents the activity of all federal and state award programs of the Housing Authority of the County of Santa Clara (the Authority), a component unit of the County of Santa Clara, California. The Authority’s reporting entity is defined in Note 1 of the Authority’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.

NOTE 2 – BASIS OF ACCOUNTING

The Schedule is presented using the accrual basis of accounting.

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 and state award revenues and expenditures agree to or can be reconciled with the amounts reported in the Authority’s basic financial statements.

NOTE 5 –DISCRETE COMPONENT UNITS FEDERAL EXPENDITURES

Villa Garcia, Inc., Villa San Pedro HDC, Inc. and the Program Responsible in Daring Excellence (PRIDE)’s federal expenditures are excluded from the Schedule because their federal expenditures are separately audited. Expenditures for the programs of Villa Garcia, Inc. and Villa San Pedro HDC, Inc. for the year ended December 31, 2010 and of PRIDE for the year ended June 30, 2011 listed below are taken from the single audit reports audited by other auditors. The federal expenditures of these discretely presented component units are as follows:

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development:		
<i>Direct Programs</i>		
Section 201 Flexible Assistance Subsidy Loan with continuing compliance	14.164	\$ 1,415,905
Section 8 Housing Assistance Payments	14.182	690,990
Section 236 Interest Reduction Insured Loan with continuing compliance	14.103	217,524
Section 235 Interest Reduction Subsidy	14.103	71,938
Total Federal Awards for Villa Garcia, Inc		\$ 2,396,357
<i>Direct Programs</i>		
Section 201 Flexible Assistance Subsidy Loan with continuing compliance	14.164	\$ 799,933
Section 8 Housing Assistance Payments	14.182	567,876
Section 221 (d)(3) Insured Loan with continuing compliance	14.135	131,686
Total Federal Awards for Villa San Pedro HDC, Inc		\$ 1,499,495
<i>Direct Programs</i>		
HOME Program - Tenant Based Rental Assistance Program	14.239	\$ 579,669
Total Federal Awards for PRIDE		\$ 579,669

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HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2011

Section I

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on the basic financial statements of the Authority:

We issued an unqualified opinion for the business-type activities (primary government) and a qualified opinion for the aggregate discretely presented component units.

Internal control over financial reporting:

- ◆ Material weakness(es) identified? No
- ◆ Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Noncompliance material to the financial statements noted?

No

Federal Awards

Internal control over major programs:

- ◆ Material weakness(es) identified? No
- ◆ Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported.

Type of auditor's report issued on compliance for major programs:

Unqualified.

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>
Moving To Work Demonstration Program	14.881
Housing Voucher Cluster	14.871 and 14.880

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.

Section III - Federal Award Findings and Questioned Costs

None reported.

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HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

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Summary Schedule of Prior Audit Finding

For the Year Ended June 30, 2011

Reference #: 2010-01

CFDA Number and Program Name: 14.881 Moving To Work Demonstration Program

Condition: Supporting documents were not available for audit review. Thus, the auditor was not able to verify the compliance with the requirements. Out of the 60 items selected:

Eligibility – 19 samples did not have the “Tenant Authorization to Proceed” form and/or other forms from tenants to release their information for income verification and 6 samples did not have documents such as W-2, bank statements and/or other documents to prove the tenant income.

Housing Standard Quality Inspection – 5 samples did not have Letter of Deficiency, 16 samples did not have self-certification, 3 samples did not have Abatement Letter and 2 samples did not have housing standard quality inspection report.

Recommendation: We recommend the Authority perform periodic backup for source data in case of system failure or data migration. We also recommend the Authority store the backup data at an offsite location away from the main data center.

Current Year Status: Corrected. The Authority performs periodic back-up and stores the back up in two offsite locations – Union City and Sacramento, California.

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