

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Single Audit Reports**

**June 30, 2012**

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

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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

To the Board of Commissioners  
Housing Authority of the County of Santa Clara

We have audited the financial statements of the Housing Authority of the County of Santa Clara (the Authority), a component unit of the County of Santa Clara, California, and its aggregate discretely presented component units as of and for the year ended June 30, 2012, and have issued our report thereon dated January 24, 2013. Our report includes a reference to other auditors. 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 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 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 Authority'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 and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. 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 and requirements 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 the management of the Authority in a separate letter dated January 24, 2013.

This report is intended solely for the information and use of the Board of Commissioners and management of the Authority, 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.



Sacramento, California  
January 24, 2013

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

To the Board of Commissioners  
Housing Authority of the County of Santa Clara

Compliance

We have audited the compliance of the Housing Authority of the 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 its major federal programs for the year ended June 30, 2012. The Authority's major federal programs are identified in the summary of auditors' 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 Program Responsible in Daring Excellence, that expended \$2,367,681, \$1,448,144, and \$803,683, respectively, in federal awards for the years ended December 31, 2011, December 31, 2011 and June 30, 2012, respectively, and which are not included in the Schedule of Expenditures of Federal and State Awards for the year ended June 30, 2012. Our audit, described below, did not include the operations of Villa Garcia, Inc., Villa San Pedro HDC, Inc., and Program Responsible in Daring Excellence because other auditors were engaged to perform the audits of those entities 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 on 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, 2012.

#### 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 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.

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 Authority and its aggregate discretely presented component units as of and for the year ended June 30, 2012, and have issued our report thereon dated January 24, 2013, which contained an unqualified opinion on those financial statements. Our report includes a reference to other auditors. Our audit was performed for the purpose of forming an opinion on the financial statements of the Authority as a whole. 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 and management of the Authority, 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.

A handwritten signature in cursive script, appearing to read "Cohn Reznick LLP".

Sacramento, California  
January 24, 2013

**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**

**Year Ended June 30, 2012**

<u>Grantor / Pass-Through Grantor Program Title:</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Expenditures Amount</u>
<b><u>FEDERAL EXPENDITURES</u></b>			
<b><u>Direct:</u></b>			
<b>U.S. Department of Housing and Urban Development</b>			
<b><u>CDBG Cluster</u></b>			
Community Development Block Grants	14.218	n/a	<u>\$ 123,421</u>
<b><u>CFP Cluster</u></b>			
ARRA-Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded	14.885	n/a	<u>259,257</u>
<b><u>Shelter Plus Care</u></b>			
Shelter Plus Care	14.238	n/a	<u>2,941,382</u>
<b><u>Housing Voucher Cluster</u></b>			
Family Unification Program (FUP)	14.880	n/a	1,858,397
Mainstream Vouchers	14.879	n/a	726,490
Section 8 Housing Choice Vouchers	14.871	n/a	<u>4,479,174</u>
<b>Subtotal Housing Voucher Cluster</b>			<b><u>7,064,061</u></b>
<b><u>Section 8 Project-Based Cluster</u></b>			
Lower Income Housing Assistance - Program			
Section 8 Moderate Rehabilitation	14.856	n/a	796,238
Section 8 Moderate Rehabilitation Single Room Occupancy	14.249	n/a	<u>670,590</u>
<b>Subtotal - Section 8 Project-Based Cluster</b>			<b><u>1,466,828</u></b>
<b><u>Move to Work</u></b>			
Public and Indian Housing	14.850	n/a	36,058
Public Housing Capital Fund	14.872	n/a	16,492
Moving To Work Demonstration Program	14.881	n/a	<u>261,863,205</u>
<b>Subtotal - Move to Work</b>			<b><u>261,915,755</u></b>
<b>Total U.S. Department of Housing and Urban Development</b>			<b><u>\$ 273,770,704</u></b>
<b>Total Expenditure of Federal Awards</b>			<b><u>\$ 273,770,704</u></b>
<b><u>STATE EXPENDITURES</u></b>			
<b>State of California:</b>			
Pass-Through Department of Housing and Community Development (HCD) Division of Community Affairs - Office of Migrant Services Migrant - Labor Housing (Operation)	n/a	11-OMS-947	<u>\$ 127,211</u>
<b>Total Expenditure of State Awards</b>			<b><u>\$ 127,211</u></b>



**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Notes to Schedule of Expenditures of Federal and State Awards**

**Year Ended June 30, 2012**

**Note 1 - Reporting Entity**

The Housing Authority of the County of Santa Clara (the Authority) is a government agency formed in 1967 by the County of Santa Clara (the County) in accordance with the Housing Authority Law of the State of California. The Authority is an integral part (a component unit) of the reporting entity of the County. The Objective of the Authority is to provide and inspire affordable housing solutions for low-income people in Santa Clara County to achieve financial stability and self-reliance.

**Note 2 - Summary of Significant Accounting Policies**

**General**

The Schedule of Expenditures of Federal and State Awards (the Schedule) presents activity of all federal and state award programs of the Authority. The Authority's reporting entity is defined further 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, if any, are included on the Schedule.

**Basis of Accounting**

The expenditures included in the Schedule are reported under the accrual basis of accounting.

**Relationship to Federal Financial Reports**

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

**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. The Schedule presents only the expenditures incurred by the Authority that are reimbursable under federal programs of federal agencies or state programs of state agencies providing financial assistance. The Schedule was prepared from only the accounts of the federal and state grants and, therefore does not represent the financial position or results of operations of the Authority.

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Notes to Schedule of Expenditures of Federal and State Awards - Continued**

**Year Ended June 30, 2012**

**Note 3 - Discrete Component Units Federal Expenditures**

The Authority's discrete component units 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, 2011 and of PRIDE for the year ended June 30, 2012 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
<b>U.S. Department of Housing and Urban Development:</b>		
<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	752,300
Section 236 Interest Reduction Insured Loan with Continuing Compliance	14.103	122,080
Section 235 Interest Reduction Subsidy	14.103	77,396
<b>Total Villa Garcia, Inc.</b>		<b><u>\$ 2,367,681</u></b>
<i>Direct Programs</i>		
Section 201 Flexible Assistance Subsidy Loan with Continuing Compliance	14.164	\$ 799,933
Section 8 Housing Assistance Payments	14.182	578,691
Section 221(d)(3) Insured Loan with Continuing Compliance	14.135	69,520
<b>Total Villa San Pedro HDC, Inc.</b>		<b><u>\$ 1,448,144</u></b>
<i>Direct Program</i>		
HOME Program –Tenant Based Rentals Assistance Program	14.239	\$ 803,683
<b>Total PRIDE</b>		<b><u>\$ 803,683</u></b>

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Schedule of Findings and Questioned Costs**

**Year Ended June 30, 2012**

**A. Summary of Audit Results**

1. The auditors' report expresses an unqualified opinion on the financial statements of the Housing Authority of the County of Santa Clara and its aggregate discretely presented component units.
2. No significant deficiencies or material weaknesses related to the audit of the financial statements were reported in the 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.
3. No instances of noncompliance material to the financial statements of the Housing Authority of the County of Santa Clara were disclosed during the audit.
4. No significant deficiencies or material weaknesses related to the audit of the major federal award programs were disclosed in the Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Housing Authority of the County of Santa Clara expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for the Housing Authority of the County of Santa Clara.

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Schedule of Findings and Questioned Costs - Continued**

**Year Ended June 30, 2012**

7. The programs tested as major programs include:

<u>Major Programs</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures Amount</u>
Moving to work		
Public and Indian Housing	14.850	\$ 36,058
Public Housing Capital Fund	14.872	16,492
Moving To Work Demonstration Program	14.881	<u>261,863,205</u>
		<u>261,915,755</u>
CFP Cluster		
ARRA-Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded	14.885	<u>259,257</u>
Housing Voucher Cluster		
Family Unification Program (FUP)	14.880	1,858,397
Mainstream Vouchers	14.879	726,490
Section 8 Housing Choice Vouchers	14.871	<u>4,479,174</u>
		<u>7,064,061</u>
Total Major Program Expenditures		<u>\$ 269,239,073</u>
Total Federal Award Expenditures		<u>\$ 273,770,704</u>
Percentage of Total Federal Award Expenditures		<u>98%</u>

8. The threshold for distinguishing Type A and B programs was \$3,000,000.

9. The Housing Authority of the County of Santa Clara does not qualify as a low-risk auditee.

**B. Findings - Financial Statements Audit**

- None reported.

**C. Findings and Questioned Costs - Major Federal Award Programs Audit**

- None reported

**Housing Authority of the County of Santa Clara  
(A Component Unit of the County of Santa Clara)**

**Summary Schedule of Prior Audit Findings**

**Year Ended June 30, 2012**

No matters were reported in prior year.