

CITY OF INGLEWOOD HOUSING AUTHORITY
(A Component Unit of the City of Inglewood)

Financial Statements
and Supplemental Information

Year ended September 30, 2014

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CITY OF INGLEWOOD HOUSING AUTHORITY

Financial Statements And Supplemental data

Year ended September 30, 2014

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CITY OF INGLEWOOD HOUSING AUTHORITY

**Basic Financial Statements
And Supplemental data**

Year ended September 30, 2014

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The Honorable Mayor and
Members of the City Council
Inglewood Housing Authority, California

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major funds of the Inglewood Housing Authority ("Authority"), a component unit of the City of Inglewood, California ("City"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Honorable Mayor and
Members of the City Council
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major funds of the Authority, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that *accounting principles generally accepted in the United States of America* require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that *budgetary comparison information* for each major special revenue fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mayor Hoffman McLean P. C.

Irvine, California
June 30, 2015

BASIC FINANCIAL STATEMENTS

CITY OF INGLEWOOD HOUSING AUTHORITY
Statement of Net Position
September 30, 2014

Assets:

Cash and investments (note 3)	\$ 1,659,778
Accounts receivable	110,974
Interest receivable	61
Due from other governments	<u>55,278</u>
Total assets	<u>1,826,091</u>

Liabilities:

Accounts payable	8,661
Refundable deposits	12,571
Due to other governments	131,826
Long-term liabilities (note 4):	
Due within one year	53,000
Due within more than one year	<u>41,435</u>
Total liabilities	<u>247,493</u>

Net position:

Restricted for various programs	<u>1,578,598</u>
Total net position	<u><u>\$ 1,578,598</u></u>

See accompanying notes to the basic financial statements.

CITY OF INGLEWOOD HOUSING AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
Year Ended September 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u> Operating Contributions and Grants	<u>Net Governmental Activities</u>
Governmental activities:			
Community development	\$ 14,687,992	15,506,065	818,073
Total governmental activities	<u>\$ 14,687,992</u>	<u>15,506,065</u>	<u>818,073</u>
General revenues:			
Other general revenues			<u>240</u>
Total general revenues			<u>240</u>
Change in net position			818,313
Net position at beginning of year			<u>760,285</u>
Net position at end of year			<u><u>\$ 1,578,598</u></u>

See accompanying notes to the basic financial statements.

CITY OF INGLEWOOD HOUSING AUTHORITY
Governmental Funds
Balance Sheet
September 30, 2014

Assets:	
Cash and investments (note 3)	\$ 1,659,778
Accounts Receivable	110,974
Interest receivable	61
Due from other governments	<u>55,278</u>
Total assets	<u>\$ 1,826,091</u>
Liabilities:	
Accounts payable	\$ 8,661
Due to other governments	131,826
Deposits payable	<u>12,571</u>
Total liabilities	<u>153,058</u>
Deferred inflows of resources:	
Unavailable revenue	<u>97,891</u>
Total deferred inflow of resources	<u>97,891</u>
Fund balance:	
Restricted for various programs	<u>1,575,142</u>
Total liabilities and fund balance	<u>\$ 1,826,091</u>

See accompanying notes to the basic financial statements.

CITY OF INGLEWOOD HOUSING AUTHORITY
Governmental Funds
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
September 30, 2014

Fund balances of governmental funds	\$ 1,575,142
Amounts reported for governmental activities in the statement of net assets are different because:	
Long term debt that has not been included in the governmental fund activity	
Compensated absences	(94,435)
Revenues that are measurable but not available. Amounts are recorded as unavailable revenue under the modified accrual basis of accounting.	<u>97,891</u>
Net position of governmental activities	<u>\$ 1,578,598</u>

See accompanying notes to the basic financial statements.

CITY OF INGLEWOOD HOUSING AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2014

Revenues:		
Intergovernmental	\$	15,408,174
Other		<u>240</u>
Total revenues		<u>15,408,414</u>
Expenditures:		
Personnel services		1,262,190
Housing assistance payments		13,006,400
Maintenance and operation		<u>439,468</u>
Total expenditures		<u>14,708,058</u>
Change in fund balance		700,356
Fund balance at beginning of year		<u>874,786</u>
Fund balance at end of year	\$	<u><u>1,575,142</u></u>

See accompanying notes to the basic financial statements.

CITY OF INGLEWOOD HOUSING AUTHORITY
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended September 30, 2014

Net changes in fund balances of governmental funds	\$ 700,356
Amounts reported for governmental activities in the statement of activities is different because:	
To record as an expense the change in compensated absences in the statement of activities.	20,066
Revenues that are measurable but not available. Amounts are recorded as deferred revenue under the modified accrual basis of accounting.	<u>97,891</u>
Change in net position of governmental activities	<u><u>\$ 818,313</u></u>

See accompanying notes to the basic financial statements.

CITY OF INGLEWOOD HOUSING AUTHORITY

Notes to the Basic Financial Statements

Fiscal year ended September 30, 2014

(1) Nature and Operations of the Authority

The Inglewood Housing Authority (“Authority”) is a separate governmental entity created in 1976 to foster the growth and development of affordable housing for low-income residents of the City of Inglewood (“City”). The Authority has the responsibility of managing federally subsidized rent programs within the City, including:

- The Housing Choice Voucher Program through which the Authority administers over 1,846 tenant-based vouchers.

The members of the City Council of the City also act as members of the Board of Directors of the Authority. Similarly, the officers of the City serve as officers of the Authority. Facilities, equipment and administrative, financial and legal services are provided to the Authority by the City, for which the City is reimbursed. The primary sources of revenue for the Authority are intergovernmental revenues.

Under Governmental Accounting Standards Board (“GASB”) Statement No. 14, the Authority is a component unit of the City and its financial activities have been blended with the financial activities of the City for purposes of financial reporting.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

Government - wide Financial Statements

The statement of net assets and statement of revenues, expenses, and changes in net position include the financial activities of the Authority. These statements present the Authority’s *governmental activities*, which normally are supported by intergovernmental revenues.

The statement of revenues, expenses, and changes in net position presents a comparison between program expenses and program revenues for each function of the Authority’s governmental activities. Program expenses include such direct expenses that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented instead as general revenues.

When an expense is incurred for a purpose for which both restricted and unassigned fund balance are available, management has discretion as to which resources apply. It is the Authority’s policy to use restricted resources before unassigned resources.

CITY OF INGLEWOOD HOUSING AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies, (Continued)

(a) Basis of Presentation, (Continued)

Fund Financial Statements

The fund financial statements provide information about the Authority's funds. The emphasis of fund financial statements is on the major governmental funds. The financial activities of the Authority are accounted for in a single special revenue fund.

(b) Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, special assessments, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental fund type financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues and other governmental fund type financial resources are recognized when they become susceptible to accrual — that is, when they become both measurable and available.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered available and are accrued when received within sixty days after fiscal year-end.

Revenue received from expenditure driven (cost-reimbursement) grants, contracts and other nonexchange transactions, as defined by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, are considered available and accrued if expected to be received within twelve months after fiscal year-end.

CITY OF INGLEWOOD HOUSING AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies, (Continued)

(c) Cash and investments

The Authority's cash from operations is deposited in the City Treasury. The City pools its funds with other government agencies in the City and invests them as prescribed by the California Government Code. The Authority's deposits in the City pool may be accessed at any time. The Authority is allocated interest income on monies deposited with the City based on its average monthly proportional share of the pooled cash and investments. All pooled investments are carried at fair market value.

d) Fund Balance

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance.

Fund balances are reported in the fund statements in the following classifications:

Nonspendable Fund Balance

Nonspendable Fund Balance – this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

Spendable Fund Balance

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the Council action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

It is the City's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the Council.

CITY OF INGLEWOOD HOUSING AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(2) Summary of Significant Accounting Policies, (Continued)

(f) Budgetary Information

The Governing Board approves each year's budget submitted by the Executive Director prior to the beginning of the new fiscal year. Supplemental appropriations, where required during the period are also approved by the Governing Board. Intradepartmental budget changes are approved by the Executive Director. In most cases, expenditures may not exceed appropriations at the fund level. At fiscal year-end all of the operating budget appropriations lapse. There were no significant changes to the budget during the fiscal year.

Formal budgetary information is employed as a management control device during the year for the Special Revenue Funds. The budgets for all Governmental Funds are adopted on a basis consistent with generally accepted accounting principles.

(g) Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(3) Cash and Investments

Cash and investments as of September 30, 2014, consist of the following:

Cash and investments	<u>\$ 1,659,778</u>
Total cash and investments	<u>\$ 1,659,778</u>

Equity in the Cash and Investment Pool of the City of Inglewood

The Authority has no separate investments other than the Authority's equity in the cash and investment pool managed by the City of Inglewood. The Authority is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of Inglewood. The Authority has adopted an investment policy separate from that of the City of Inglewood. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis.

CITY OF INGLEWOOD HOUSING AUTHORITY

Notes to the Basic Financial Statements

(Continued)

(4) Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2014, was as follows:

	Balance at October 1, <u>2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance at September 30, <u>2014</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$ 114,501</u>	<u>33,442</u>	<u>(53,508)</u>	<u>94,435</u>	<u>53,000</u>

(5) Self-Insurance Program

In conjunction with the City, the Authority is self-insured for the first \$1,000,000 of general liability claims and for the first \$250,000 of workers compensation claims. Information pertaining to the amounts accrued for claims payable may be found in the City's Basic Financial Statements.

(6) Retirement Plan

The Authority, as part of the City, contributes to the California Public Employees Retirement System ("PERS"). PERS is an agent multiple-employer defined benefit plan that acts as a common investment and administrative agent for municipalities in California. The Authority pays its share of pension costs to the City and Employer Paid Member Contribution, which amounted to \$163,841, for the fiscal year ended September 30, 2014. Contribution amounts are based upon rates established by PERS for the City's general employees who have performed services for the Authority. No separate pension benefit obligation is calculated for the Authority; and accordingly, no obligation is presented herein. Further information regarding the City's participation in PERS may be found in the City's Basic Financial Statements.

(7) Relationship with the City of Inglewood

The Authority does not have any employees and does not own or use facilities separated from the City. Facilities, equipment and administrative, financial and legal services are provided to the Authority by the City, for which the City is reimbursed.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF INGLEWOOD HOUSING AUTHORITY
Housing Fund - Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Intergovernmental	\$ 15,100,000	15,100,000	15,408,174	308,174
Other	400	-	240	240
Total revenues	<u>15,100,400</u>	<u>15,100,000</u>	<u>15,408,414</u>	<u>308,414</u>
Expenditures:				
Current:				
Personnel services	1,499,560	1,428,398	1,262,190	166,208
Housing assistance payments	13,400,000	13,400,000	13,006,400	393,600
Maintenance and operation	<u>524,890</u>	<u>596,053</u>	<u>439,468</u>	<u>156,585</u>
Total expenditures	<u>15,424,450</u>	<u>15,424,451</u>	<u>14,708,058</u>	<u>716,393</u>
Change in fund balance	(324,050)	(324,451)	700,356	1,024,807
Fund balance at beginning of year	<u>874,786</u>	<u>874,786</u>	<u>874,786</u>	<u>-</u>
Fund balance at end of year	<u>\$ 550,736</u>	<u>550,335</u>	<u>1,575,142</u>	<u>1,024,807</u>

See accompanying notes to the basic financial statements.

SINGLE AUDIT REPORTS AND RELATED SCHEDULES



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Honorable Mayor and City Council
Inglewood Housing Authority
Inglewood, California

**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***

Independent Auditor's Report

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 Inglewood Housing Authority (the Authority), a component unit of the City of Inglewood, California (the City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

Honorable Mayor and City Council
Inglewood Housing Authority
Page Two

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs, as items 2014-01 through 2014-03 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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*.

The Authority's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Mayor Hoffman Melons P.C.

Irvine, California
June 30, 2015



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Honorable Mayor and City Council
Inglewood Housing Authority
Inglewood, California

**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 OMB Circular A-133**

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the Inglewood Housing Authority's compliance 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 September 30, 2014. 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.

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 the Authority'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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority 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 September 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-005. Our opinion on each major federal program is not modified with respect to these matters.

The Authority's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Authority 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 the Authority'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 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned costs as item 2014-001 through 2014-003 to be a material weaknesses.

Honorable Mayor and City Council
Inglewood Housing Authority
Page Three

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.

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

We have audited the financial statements of the Authority as of and for the year ended September 30, 2014, and have issued our report thereon dated June 30, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purpose 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary Schedule of Expenditures of Los Angeles County Grants has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Mayor Hoffman Melane P.L.

Irvine, California
June 30, 2015

CITY OF INGLEWOOD HOUSING AUTHORITY
Schedule of Expenditures of Federal Awards
Year ended September 30, 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Domestic Assistance Number</u>	<u>Program Identification Number</u>	<u>Program Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
U.S. Department of Housing and Urban Development				
Direct Assistance:				
Section 8 Housing Choice Vouchers	14.871	CA082VO	\$ 9,842,758	-
Total Federal Expenditures			<u>\$ 9,842,758</u>	<u>-</u>

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

CITY OF INGLEWOOD HOUSING AUTHORITY

Notes to the Schedule of Expenditures of Federal Awards

Year ended September 30, 2014

(1) Summary of Significant Accounting Policies Applicable to the Schedule of Federal Awards

(a) Scope of Presentation

The accompanying schedule presents only the expenditures incurred by the Inglewood Housing Authority that are reimbursable by agencies providing federal assistance. For the purposes of this schedule, federal financial assistance includes both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly from a non-federal agency or other organization. Only the portion of program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with state, local or other non-federal funds are excluded from the accompanying schedule.

(b) Basis of Accounting

The expenditures included in the accompanying schedule were reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are recognized when the agency becomes obligated for payment as a result of the receipt of the related goods and services. Expenditures reported include any property or equipment acquisitions incurred under the federal program.

(c) Subrecipient Expenditures

During the fiscal year ended September 30, 2014, the Authority disbursed no federal funds to subrecipients.

INGLEWOOD HOUSING AUTHORITY

Schedule of Findings and Questioned Costs

(A) Summary of Auditors' Results

1. An unmodified report was issued by the auditors on the financial statements of the auditee.
2. The audit disclosed five material weaknesses and five significant deficiencies in internal control over financial reporting. They are reported in findings 2014-001 through 2013-005 and 2014-006 through 2014-010 respectively.
3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.
4. An unmodified opinion was issued by the auditors on compliance for major programs.
5. The audit disclosed one finding required to be reported under paragraph .510(a) of OMB Circular A-133. This is reported in finding 2014-011.
6. The major programs of the auditee were:
 - U.S. Department of Housing and Urban Development, Section 8 Housing Choice Vouchers, CFDA No. 14.871;
7. The dollar threshold used to distinguish Type A and Type B programs was \$300,000.
8. The auditee did not qualify as a low risk auditee, as defined by OMB Circular A-133, paragraph .530, for the year ended September 30, 2014 for the purpose of determining major programs.

CITY OF INGLEWOOD HOUSING AUTHORITY

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

(2014-001) Adjustments Detected Through the Audit Process

An important element of control over financial reporting is for management to identify adjustments necessary for financial statements to be fairly stated. Whenever possible, adjustments should be reflected in the accounting records prior to the start of the audit. When this is not possible, management should identify and communicate to the auditors the potential areas of adjustment that may need to be addressed during the audit process.

There was a material adjustment that was identified during the audit for the year ended September 30, 2014. This material adjustment detected by the audit process was to an entry to correct cash balances.

Recommendation

Auditing standards require the reporting of material adjustments identified through the audit process as weaknesses in an entity's internal control structure. Efforts should be made to enhance the City's year-end closing procedures to include areas that resulted in audit adjustments in 2014.

Management's Response Regarding Corrective Action Taken or Planned

The City recognizes that the general ledger accounts need to be reviewed, analyzed and reconciled on a regular basis, and audit preparation needs to be performed at the end of each fiscal year prior to the arrival of the auditors upon the commencement of the final audit. The Finance Dept. has developed a check list to follow each month to ensure that all postings are being recorded timely. In addition, this check list is being expanded to include timely postings from other system modules in order to help assure all transactions are being recorded timely. All accounts or funds are being assigned to individual staff accountants to reconcile and monitor on a regular basis in order to avoid incorrect postings and to allow for corrections in a timely manner. It has become the department's goal to analyze and reconcile all accounts prior to the month end closing of the general ledger. As the department works towards this common goal, it is anticipated that the financial information reported will be more accurate and timely.

CITY OF INGLEWOOD HOUSING AUTHORITY

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS, (Continued)

(2014-002) Review of Fund Structure

Through discussion with the City it was noted that the Affordable Housing Fund was inappropriately recorded as part of the Successor Agency during previous years. This resulted in a prior period adjustment to move this fund out of the SA and into the nonmajor governmental funds. Additionally, there were a number journal entries intended to correct activity recorded in the wrong fund.

Recommendation

We recommend that the City review how funds in the general ledger will consolidate into the Comprehensive Annual Financial Statements. We also recommend that the City review the intended purpose of each fund with employees responsible for coding revenues and expenditures to ensure clarity on the appropriate fund for activities susceptible to improper recording in the General Ledger.

Management's Response Regarding Corrective Action Taken or Planned

City staff will evaluate the fund structure in the current fiscal year with staff.

(2014-003) Journal Entry Review Procedures

During the audit we noted that a number of the correcting entries provided by the City did not correctly resolve underlying misstatements. As a result a number of additional entries were required to correct the underlying financial statement accounts in question.

Recommendation

We recommend the City consider implementing more thorough Journal Entry review procedures including additional approvers, checklists, and consultation with the Audit Firm regarding unusual or complex entries.

Management's Response Regarding Corrective Action Taken or Planned

The City will enhance procedures to improve the review of the journal entries.

CITY OF INGLEWOOD HOUSING AUTHORITY

Schedule of Findings and Questioned Costs

(Continued)

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS, (Continued)

(2014-004) Monthly Bank and General Ledger Reconciliations

We noted that although bank reconciliations are being completed on a monthly basis, there are material reconciling items that are not being resolved timely.

Recommendation

We recommend that monthly bank reconciliations be completed in a timely manner to ensure that all activity has been properly reconciled to the accounting records. Furthermore, the City should take the necessary steps to process and monitor unresolved reconciling items on a regular basis.

Management's Response Regarding Corrective Action Taken or Planned

Significant reconciling items have been resolved and the City will continue to monitor them on an ongoing basis.

(C) Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) of OMB Circular A-133

(2014-005) Section 8 Housing Choice Voucher Program – Waitlist Admissions

Federal Agency: Department of Housing and Urban Development
CFDA No.: 14.871

Federal Program Income: Section 8 Housing Choice Vouchers

Federal Award Program No.: CA082VO

Federal Award Year: 2014

Control Category: Special Tests and Provisions

Questioned Costs: \$0

24 CFR 928.202 (d) states that The PHA must admit applicants for participation in accordance with HUD regulations and other requirements, including, but not limited to, 24 CFR part 5, subpart L, protection for victims of domestic violence, dating violence, or stalking, and with PHA policies stated in the PHA administrative plan and the PHA plan. The PHA admission policy must state the system of admission preferences that the PHA uses to select applicants from the waiting list, including any residency preference or other local preference.

CITY OF INGLEWOOD HOUSING AUTHORITY

Schedule of Findings and Questioned Costs

(Continued)

(C) Findings and Questioned Costs for Federal Awards as Defined in Paragraph .510(a) of OMB Circular A-133

During our testing we noted during our testing of the waitlist that the IHA admitted 24 eligible families facing loss of federal aid as a result of lack of funding from other HUD programs to the Section 8 program prior to amending the administrative plan to allow for special admissions.

Recommendation

We recommend that the Authority improve their controls to ensure that actions that are taken that as part of the Housing Choice Voucher program be in accordance with Federal guidelines, the Housing Authority's policies and that those policies be approved by the governing body.

Management's Response Regarding Corrective Action Taken or Planned

The City will ensure that the administrative plan to allow for special admissions is properly amended before allowing special admissions.

CITY OF INGLEWOOD HOUSING AUTHORITY

Summary Schedule of Prior Audit Findings

Year ended September 30, 2014

The following is the status of prior audit findings for the year ended September 30, 2013:

(2013-001) Adjustments Detected Through the Audit Process

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2014-001.

(2013-002) Need for Improved Capital Asset Records

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2014-002.

(2013-003) Wire Transfers Segregation of Duties

This finding is considered resolved.

(2013-004) Need for Improved Accounting and Monitoring over First Time Home Buyer and Rehabilitation Loans

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2014-003.

(2013-005) Section 8 Vouchers Program – Housing Quality Standard Inspections

This finding is considered resolved.

(2013-006) Community Development Block Grants/Entitlement Grants – Allowable Costs – Payroll Expenditures

This finding is considered resolved.

(2013-007) Community Development Block Grants/Entitlement Grants – Reporting

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2014-011.

(2013-008) Home Investment Partnerships Program – Allowable Costs – Payroll Expenditures

This finding is considered resolved.

(2013-009) Home Investment Partnerships Program – Housing Quality Standard Inspections

CITY OF INGLEWOOD HOUSING AUTHORITY

Summary Schedule of Prior Audit Findings

Year ended September 30, 2014

This finding is considered resolved.

(2013-010) Home Investment Partnerships Program – Reporting

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2014-013.

(2013-011) Home Investment Partnerships Program – Eligibility

This finding is considered resolved.

(2013-012) Community Oriented Policing-COPS Hiring Recovery Program Grant – Allowable Costs

Matter was not resolved and therefore was repeated as a current year finding. See accompanying Schedule of Findings and Questioned Costs as item 2014-016.

(2013-013) Airport Improvement Program – Reporting

This finding is considered resolved.