

HOME FORWARD

Single Audit Reports

Nine Months Ended December 31, 2018



Certified
Public
Accountants

HOME FORWARD
Single Audit Reports
Nice Months Ended December 31, 2018

Table of Contents

	<i>Page</i>
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards.....	6
Notes to the Schedule of Expenditures of Federal Awards.....	8
Schedule of Findings and Questioned Costs.....	9
Summary Schedule of Prior Audit Findings	10



**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 nine months ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Home Forward's basic financial statements, and have issued our report thereon dated June 12, 2019.

Our report includes a reference to other auditors who audited the financial statements of the discretely presented component units of Home Forward, as described in our report on Home Forward's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Home Forward's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Home Forward's internal control. Accordingly, we do not express an opinion on the effectiveness of Home Forward's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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

Newport Beach, California
June 12, 2019



**Independent Auditor's Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of
Federal Awards Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

We have audited Home Forward's, Oregon compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Home Forward's major federal program for the nine months ended December 31, 2018. Home Forward's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Home Forward's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Home Forward's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Home Forward's compliance.

Opinion on the 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 its major federal program for the nine months ended December 31, 2018.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance

in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Home Forward's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of Home Forward, as of and for the nine months ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Home Forward's basic financial statements. We issued our report thereon dated June 12, 2019, which contained unmodified opinions on those financial statements. Our report also includes a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Macias Gini & O'Connell LLP

Newport Beach, California
June 12, 2019

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HOME FORWARD
Schedule of Expenditures of Federal Awards
Nine Months Ended December 31, 2018

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	\$ 132,182
Multifamily Housing Service Coordinators	n/a	14.191	118,451
Section 8 Project-Based Cluster:			
Section 8 Moderate Rehabilitation Single Room Occupancy	n/a	14.249	1,358,536
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	n/a	14.856	1,026,571
Subtotal Section 8 Project-Based Cluster			<u>2,385,107</u>
Continuum of Care Program	n/a	14.267	3,978,126
Resident Opportunity and Supportive Services - Service Coordinators	n/a	14.870	112,675
HOPE VI Cluster:			
Demolition and Revitalization of Severely Distressed Public Housing	OR16URD0021110	14.866	77,777
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	n/a	14.871	13,330,693
Moving to Work Demonstration Program	n/a	14.881	68,533,574
Family Self-Sufficiency Program	n/a	14.896	380,894
Subtotal Direct Programs			<u>89,049,479</u>
<i>Pass-Through from City of Portland:</i>			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grant/Entitlement Grants	Not Available	14.218	30,670
Emergency Solutions Grant Program	Not Available	14.231	43,696
Subtotal Pass-Through Programs			<u>74,366</u>
Total U.S. Department of Housing and Urban Development			<u>89,123,845</u>
U.S. Department of Labor:			
<i>Pass-Through from Worksystems, Inc.</i>			
WIOA Cluster:			
WIA Adult Program	AA-26801-15-55-A-41	17.258	6,624
WIA Youth Activities	AA-26801-15-55-A-41	17.259	30,700
Total U.S. Department of Labor			<u>37,324</u>
U.S. Department of Health and Human Services:			
<i>Pass-Through from Multnomah County:</i>			
TANF Cluster:			
Temporary Assistance for Needy Families	Not Available	93.558	83,213
Total U.S. Department of Health and Human Services			<u>83,213</u>
U.S. Department of Homeland Security:			
<i>Direct:</i>			
Emergency Food and Shelter National Board Program	ID #708000-011	97.024	223,288
Total U.S. Department of Homeland Security			<u>223,288</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 89,467,670</u>

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

HOME FORWARD
Notes to the Schedule of Expenditures of Federal Awards
Nine Months Ended December 31, 2018

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 in the Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 – BASIS OF ACCOUNTING

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

NOTE 3 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

NOTE 4 – LOANS OUTSTANDING

Home Forward participates in federal award programs that sponsor revolving loan programs, which are administrated by Home Forward and the City of Portland, Oregon (City). The City contracts Home Forward to collect loan repayments for these programs through servicing and trust arrangements. The funds are returned to the City upon repayment of the principal and interest. The federal government has imposed certain significant continuing compliance requirements with respect to the loans rendered under the Home Investment Partnerships (HOME) Program (CFDA number 14.239). The City is responsible to administer the continuing compliance requirements and report the outstanding loan balances. During the nine months ended December 31, 2018, Home Forward did not incur expenditures related to new loans under the HOME program.

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HOME FORWARD
 Schedule of Findings and Questioned Costs
 Nine Months Ended December 31, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
◆ Material weakness(es) identified?	No
◆ Significant deficienc(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over the major federal program:	
◆ Material weakness(es) identified?	No
◆ Significant deficienc(ies) identified?	No
Type of auditor’s report issued on compliance for the major federal program:	Unmodified
Audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal program:	
<u>Program Title</u>	<u>CFDA Number:</u>
Moving to Work Demonstration Program	14.881
Dollar threshold used to distinguish between type A and type B programs:	\$2,684,030
Auditee qualified as a low-risk auditee?	No

Section II - Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

HOME FORWARD
Summary Schedule of Prior Audit Findings
Nine Months Ended December 31, 2018

Prior Year Federal Audit Findings – Major Federal Award Programs

None noted