HOME FORWARD

Single Audit Reports

Year Ended March 31, 2016
HOME FORWARD
Single Audit Reports
Year Ended March 31, 2016

Table of Contents

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 .......................................................... 1


Schedule of Expenditures of Federal Awards ............................................................................................................................................................................ 7

Notes to the Schedule of Expenditures of Federal Awards ................................................................................................................................................................. 9

Schedule of Findings and Questioned Costs ......................................................................................................................................................................................... 11

Summary Schedule of Prior Audit Findings ....................................................................................................................................................................................... 14

Corrective Action Plan .................................................................................................................................................................................................. 15
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of Home Forward, Oregon, as of and for the year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise Home Forward’s basic financial statements, and have issued our report thereon dated September 20, 2016.

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. The financial statements of the discretely presented component units, except for the Gateway Park Limited Partnership, were not audited in accordance with Government Auditing Standards. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditors.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weakness may exist that have not been identified.
Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O’Connell LLP

Walnut Creek, California
September 20, 2016
Independent Auditor’s 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 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 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 year ended March 31, 2016. 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 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 year ended March 31, 2016.

Other Matters
The results of our auditing procedures disclosed an instance of noncompliance, which is required to be  
reported in accordance with the Uniform Guidance and which is described in the accompanying schedule  
of findings and questioned costs as item 2016-002. Our opinion on the major federal program is not  
modified with respect to this matter.
Home Forward’s response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. Home Forward’s response was 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

Home Forward’s response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. Home Forward’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 year ended March 31, 2016, and the related notes to the financial statements, which collectively comprise Home Forward’s basic financial statements. We issued our report thereon dated September 20, 2016, 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.

Walnut Creek, California
September 20, 2016
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<table>
<thead>
<tr>
<th>Grantor/Pass-Through</th>
<th>Grantor/Program Title</th>
<th>CFDA Number</th>
<th>Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Department of Housing and Urban Development:</strong></td>
<td><strong>Direct:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Congregate Housing Services Program</td>
<td>DU100G0018280</td>
<td>$412,528</td>
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<tr>
<td></td>
<td>Section 8 Project-Based Cluster:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Section 8 Moderate Rehabilitation Single Room Occupancy</td>
<td>n/a</td>
<td>1,683,147</td>
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<td></td>
<td>Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation</td>
<td>n/a</td>
<td>1,201,261</td>
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<td></td>
<td>Subtotal Section 8 Project-Based Cluster</td>
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<td>2,884,408</td>
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<td></td>
<td>Continuum of Care Program</td>
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<td>269,473</td>
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<tr>
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<td>Housing Voucher Cluster:</td>
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<td>Section 8 Housing Choice Vouchers</td>
<td>n/a</td>
<td>5,688,635</td>
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<tr>
<td></td>
<td>Family Unification Program (FUP)</td>
<td>n/a</td>
<td>754,579</td>
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<tr>
<td></td>
<td>Subtotal Housing Voucher Cluster</td>
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<td>6,443,214</td>
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<td></td>
<td>Public Housing Family Self-Sufficiency under Resident Opportunity and Supportive Services</td>
<td>n/a</td>
<td>81,495</td>
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<tr>
<td></td>
<td>Moving to Work Demonstration Program</td>
<td>n/a</td>
<td>79,489,561</td>
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<tr>
<td></td>
<td>Family Self-Sufficiency Program</td>
<td>n/a</td>
<td>527,501</td>
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<tr>
<td></td>
<td>Subtotal Direct Programs</td>
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<td>94,548,164</td>
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<td></td>
<td><strong>Pass-Through from City of Portland:</strong></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Community Development Block Grant/Entitlement Grants</td>
<td>Not Available</td>
<td>14,000</td>
</tr>
<tr>
<td></td>
<td>Emergency Solutions Grant Program</td>
<td>Not Available</td>
<td>249,721</td>
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<tr>
<td></td>
<td>Home Investment Partnerships Program</td>
<td>Not Available</td>
<td>627,889</td>
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<td></td>
<td>Subtotal Pass-Through Programs</td>
<td></td>
<td>891,610</td>
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<tr>
<td></td>
<td><strong>Total U.S. Department of Housing and Urban Development</strong></td>
<td></td>
<td>95,439,774</td>
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<tr>
<td><strong>U.S. Department of Labor:</strong></td>
<td><strong>Pass-Through from Worksystems, Inc.</strong></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Workforce Innovation Fund</td>
<td>12-60602</td>
<td>450,385</td>
</tr>
<tr>
<td></td>
<td><strong>Total U.S. Department of Labor</strong></td>
<td></td>
<td>450,385</td>
</tr>
<tr>
<td><strong>U.S. Department of Transportation:</strong></td>
<td><strong>Direct:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Federal Transit - Formula Grant</td>
<td>n/a</td>
<td>7,378</td>
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<tr>
<td></td>
<td><strong>Total U.S. Department of Transportation</strong></td>
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<td>7,378</td>
</tr>
<tr>
<td><strong>U.S. Department of Health and Human Services:</strong></td>
<td><strong>Pass-Through from Multnomah County:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Temporary Assistance for Needy Families</td>
<td>Not Available</td>
<td>72,141</td>
</tr>
<tr>
<td></td>
<td>Block Grants for Prevention and Treatment of Substance Abuse</td>
<td>Not Available</td>
<td>201,274</td>
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<tr>
<td></td>
<td><strong>Total U.S. Department of Health and Human Services</strong></td>
<td></td>
<td>273,415</td>
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<tr>
<td><strong>U.S. Department of Homeland Security:</strong></td>
<td><strong>Direct:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Emergency Food and National Board Program Cluster:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Emergency Food and Shelter National Board Program</td>
<td>ID #708000-011</td>
<td>248,450</td>
</tr>
<tr>
<td></td>
<td><strong>Total U.S. Department of Homeland Security</strong></td>
<td></td>
<td>248,450</td>
</tr>
<tr>
<td></td>
<td><strong>TOTAL EXPENDITURES OF FEDERAL AWARDS</strong></td>
<td></td>
<td>$96,419,402</td>
</tr>
</tbody>
</table>

See accompanying notes to the schedule of expenditures of federal awards.
NOTE 1 – GENERAL

The Schedule of Expenditures of Federal Awards (Schedule) presents the activities of all federal award programs of Home Forward. Home Forward’s reporting entity is defined in Note 1 of Home Forward’s basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the Schedule. The information in this Schedule is presented in accordance with the requirements Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements; Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Home Forward, it is not intended to and does not present the financial position, changes in net position or cash flows of Home Forward.

NOTE 2 – BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the accrual basis of accounting and include capitalized expenditures. Such expenditures are recognized following the cost principles contained in 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 FEDERAL FINANCIAL REPORTS

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

NOTE 4 – RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

NOTE 5 – LOANS OUTSTANDING

Home Forward participates in federal award programs that sponsor revolving loan programs, which are administrated by Home Forward and the City of Portland, 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 year ended March 31, 2016, Home Forward did not incur expenditures related to new loans under the HOME program.
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Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: 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 major programs:

◆ Material weakness(es) identified? No
◆ Significant deficienc(ies) identified? Yes
Type of auditor’s report issued on compliance for major programs: Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 200.516 of the Uniform Guidance Yes
Identification of major program(s):

<table>
<thead>
<tr>
<th>Program Title</th>
<th>CFDA Number:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moving to Work Demonstration Program</td>
<td>14.881</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between type A and type B programs: $2,892,582
Auditee qualified as a low-risk auditee? No

Section II - Financial Statement Finding

None reported.
**Section III - Federal Award Findings and Questioned Costs**

**Reference Number:** 2016-001  
**Federal Agency:** U.S. Department of Housing and Urban Development  
**Federal Program Title:** Moving to Work Demonstration Program  
**Federal Catalog Number:** 14.881  
**Federal Award Number and Year:** None  
**Category of Finding:** Eligibility; Special Tests and Provisions  
**Classification of Finding:** Significant Deficiency in Internal Control over Compliance

**Criteria**  
Title 2 Code of Federal Regulations (CFR) 200.303 requires that non-Federal entities establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Specifically, internal controls are required to be in place to ensure compliance with HUD program eligibility requirements.

**Condition and Context**  
During our audit of the eligibility requirements of the Public and Indian Housing Program (Public Housing) of Moving to Work Demonstration Program, we selected tenants representing a population of 2,332 Public Housing cases for testing. Of the total population, 439 tenants lived in units managed by third party management companies hired by Home Forward. The responsibilities of the third party management companies include performing the initial and annual eligibility determinations of the tenants, with Home Forward holding the right to overrule any decision from the third party management companies. However, during our testing, we noted that Home Forward does not have internal control procedures in place to ensure that initial eligibility determinations and reexaminations required to be completed by third party management companies are performed on time and in accordance to HUD eligibility requirements.

Out of the 40 tenants selected for testing, nine lived in public housing units managed by a third party. Based on our testing, we did not identify any instances of noncompliance related to these nine tenants.

**Cause**  
The quality control procedures as currently designed in place only apply to the public housing properties managed by Home Forward.

**Effect**  
The absence of the initial eligibility determinations and reexaminations performed by third party management companies could result in Home Forward providing benefits to ineligible tenants and not be in compliance with HUD program eligibility requirements.

**Questioned Costs**  
Questioned costs were not noted.

**Recommendation**  
We recommend that Home Forward extend the existing quality control procedures of the initial eligibility determinations and reexaminations performed on the public housing units managed by Home Forward internally to the units managed by the third party management companies to ensure program compliance requirements are being followed.
Section III - Federal Award Findings and Questioned Costs (Continued)

Reference Number: 2016-002
Federal Agency: U.S. Department of Housing and Urban Development
Federal Program Title: Moving to Work Demonstration Program
Federal Catalog Number: 14.881
Federal Grant Number and Year: None
Category of Finding: Reporting
Classification of Finding: Control Deficiency in Internal Control over Compliance

Criteria
Pursuant to Title 24 Code of Federal Regulations (CFR) 990.310, all Public Housing Authorities (PHA) financial management systems, reporting, and monitoring of program performance and financial reporting shall be in compliance with the requirements of 2 CFR part 200. Certain HUD requirements provide exceptions for additional specialized procedures that are determined by HUD to be necessary for the proper management of the program in accordance with the requirements of the 1937 Act and the ACC between each PHA and HUD. PHAs are required to submit Form HUD-50058-MTW, Family Report, each time the PHA completes an admission, annual reexamination, interim reexamination, portability move-in, or other change of unit for a family. The PHA must also submit the Family Report when a family ends participation in the program or moves out of the PHA’s jurisdiction under portability.

Condition and Context
Of the 2,332 Public and Indian Housing Program (Public Housing) cases active during fiscal year 2016, 230 tenants ended their participation in the program. During our audit of the reporting requirements of Public Housing, we selected 40 tenants from a population of 2,332 Public Housing cases for testing. Our audit identified one case where a Family Report was not completed and submitted for a tenant who ended their participation in the program during the current fiscal year.

Cause
The internal control procedures as currently designed over reporting requirements only apply to the public housing properties that are managed internally by Home Forward.

Effect
Home Forward is not in compliance with the reporting requirement.

Questioned Costs
Questioned costs were not noted.

Recommendation
We recommend that Home Forward extends its internal control procedures and monitoring to properties that are managed by the third party management companies.
Prior Year Federal Audit Findings – Major Federal Award Programs

No prior year findings were reported.
The following findings were reported in Home Forward’s Schedule of Findings and Questioned Costs for the year ended March 31, 2016. Home Forward’s Corrective Action Plan for these findings are as follows:

**Comment #2016-001- (Significant Deficiency in Internal Control over Compliance) – Eligibility and Special Tests and Provisions (MTW 14.881)**

Home Forward will incorporate third party managed properties into the quality assurance process already established for centrally managed public housing properties. This will include documentation by third party management of their review of tenant files as well as a random selection of files to be audited by Home Forward’s compliance staff.

The person responsible for the implementation of this action plan is Elise Anderson, Director of Property Management. Implementation will occur by March 31, 2017.

**Comment #2016-002- (Control Deficiency in Internal Control over Compliance and Instance of Noncompliance) – Reporting (MTW 14.881)**

Home Forward researched the details of this one case and will extend the existing internal control and monitoring to the properties that are managed by the third party management company including creating a new quality assurance report to identify and ensure that all required reports end of program participation in third party managed units are submitted to HUD on a timely basis.

The person responsible for the implementation of this action plan is Elise Anderson, Director of Property Management. Implementation will occur by March 31, 2017.