

SINGLE AUDIT REPORT

Fiscal Year Ended June 30, 2019



Los Angeles County, California



LOS ANGELES COUNTY BOARD OF SUPERVISORS



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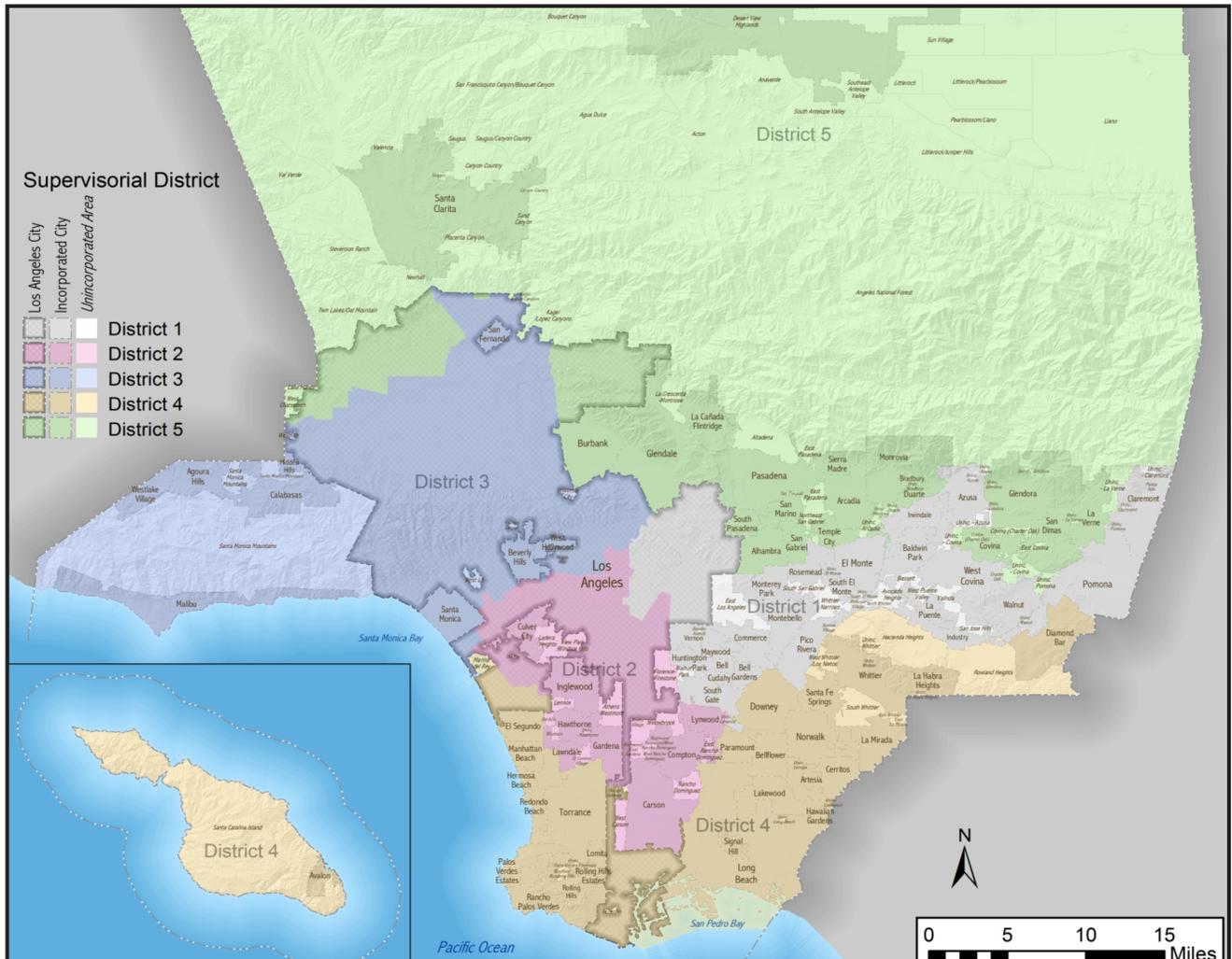
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LOS ANGELES COUNTY DEVELOPMENT AUTHORITY
CALIFORNIA
JUNE 30, 2019

SINGLE AUDIT REPORT

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LOS ANGELES COUNTY DEVELOPMENT AUTHORITY

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SINGLE AUDIT REPORT

JUNE 30, 2019

LOS ANGELES COUNTY DEVELOPMENT AUTHORITY
CALIFORNIA

JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Board of Commissioners
Los Angeles County Development Authority
County of Los Angeles, California

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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Los Angeles County Development Authority (LACDA), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the LACDA's basic financial statements, and have issued our report thereon dated November 19, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the LACDA'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 the LACDA's internal control. Accordingly, we do not express an opinion on the effectiveness of the LACDA'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 the LACDA'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*.





CPAs AND ADVISORS

To the Honorable Board of Commissioners
Los Angeles County Development Authority
County of Los Angeles, California

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 LACDA'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 LACDA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lughard, LLP

Brea, California
November 19, 2019



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Board of Commissioners
Los Angeles County Development Authority
County of Los Angeles, California

Report on Compliance for Each Major Federal Program

We have audited the Los Angeles County Development Authority (LACDA), California's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the LACDA's major federal programs for the year ended June 30, 2019. The LACDA'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 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 each of the LACDA'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 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 the LACDA'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 LACDA's compliance.

Opinion on Each Major Federal Program

In our opinion, the LACDA, 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 June 30, 2019.



To the Honorable Board of Commissioners
Los Angeles County Development Authority
County of Los Angeles, California

Report on Internal Control over Compliance

Management of the LACDA 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 LACDA'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 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 the LACDA'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 a 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.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the LACDA, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the LACDA's basic financial statements. We issued our report thereon dated November 19, 2019, which contained unmodified opinions on those financial statements. 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 the 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.



CPAs AND ADVISORS

To the Honorable Board of Commissioners
Los Angeles County Development Authority
County of Los Angeles, California

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.

Lance, Solt & Lughard, LLP

Brea, California

January 7, 2020 (except for our report on the Schedule of Expenditures of Federal Awards, for which the date is November 19, 2019)

LOS ANGELES COUNTY DEVELOPMENT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>Section 8 Project Based-Cluster:</u>				
U.S. Department of Housing and Urban Development Programs:				
Direct Programs:				
Section 8 Housing Assistance Payments Program *	14.195	N/A	\$ -	\$ 2,933,862
Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation *	14.856	N/A	-	660,450
Total Department of Housing and Urban Development Programs in Cluster			-	3,594,312
Total Section 8 Project-Based Cluster			-	3,594,312
<u>CDBG - Entitlement Grants Cluster:</u>				
U.S. Department of Housing and Urban Development Programs:				
Direct Programs:				
Community Development Block Grants/Entitlement Grants	14.218	N/A	15,143,142	27,557,997
Float Loan Program	14.218	N/A	-	167,858
CDBG Revolving Loan Program	14.218	N/A	-	1,826,677
Other CDBG Loan Programs	14.218	N/A	-	175,000
Total Department of Housing and Urban Development Programs in Cluster			15,143,142	29,727,532
Total CDBG - Entitlement Grants Cluster			15,143,142	29,727,532
<u>Housing Voucher Cluster:</u>				
U.S. Department of Housing and Urban Development Programs:				
Direct Programs:				
Section 8 Housing Choice Vouchers *	14.871	N/A	-	296,285,322
Total Department of Housing and Urban Development Programs in Cluster			-	296,285,322
Total Housing Voucher Cluster			-	296,285,322
<u>U.S. Department of Commerce:</u>				
Direct Programs:				
Economic Adjustment Assistance * ‡	11.307	N/A	-	15,633,548
Total U.S. Department of Commerce			-	15,633,548
<u>U.S. Department of Housing and Urban Development:</u>				
Direct Programs:				
Emergency Solutions Grant Program	14.231	N/A	2,625,934	2,638,512
Shelter Plus Care	14.238	N/A	-	15,711,915
Home Investment Partnerships Program	14.239	N/A	-	12,793,080
Community Development Block Grants Section 108 Loan Guarantees *	14.248	N/A	-	2,551,974
Community Development Block Grants Section 108 Loan Beginning Balance *	14.248	N/A	-	6,343,000
Public and Indian Housing	14.850	N/A	-	9,435,143
Resident Opportunity and Supportive Services--Service Coordinators	14.870	N/A	-	240,291
Public Housing Capital Fund	14.872	N/A	-	6,821,002
Family Self-Sufficiency Program	14.896	N/A	-	710,687
Passed through the State of California:				
Emergency Solutions Grant Program	14.231	80-748-7608	2,048,561	2,077,722
Passed through the City of Los Angeles:				
Housing Opportunities for Persons with AIDS	14.241	06-992-8349	-	293,787
Total U.S. Department of Housing and Urban Development			4,674,495	59,617,113
<u>U.S. Department of Transportation:</u>				
Direct Programs:				
Airport Improvement Program	20.106	N/A	-	5,362,351
Total U.S. Department of Transportation			-	5,362,351
Total Expenditures of Federal Awards			\$ 19,817,637	\$ 410,220,178

* Major Program

‡ In determining Type A programs, this program requires that the following be considered as part of expenditures of federal awards:

1. Balance of RLF loans outstanding at the end of the fiscal year	\$ 5,825,551
2. Cash and investment balance in the RLF at the end of the fiscal year	8,545,597
3. Expenses paid out of RLF during the fiscal year	1,262,400
Total expenditures of federal awards considered in determining Type A programs	<u>\$ 15,633,548</u>

Note a: There was no federal awards expended in the form of noncash assistance and insurance in effect during the year.

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

LOS ANGELES COUNTY DEVELOPMENT AUTHORITY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Note 1: General

The accompanying schedule presents only the expenditures incurred by the Los Angeles County Development Authority (the LACDA), discretely presented component unit of the County of Los Angeles, California, that are reimbursable under federal programs of federal assistance. For the purposes of this schedule, federal awards include both federal financial assistance received directly from a federal agency, as well as federal funds received indirectly by the LACDA 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.

Note 2: Basis of Accounting

The accompanying schedule is presented using the basis of accounting prescribed by the respective granting agencies. Differences between the granting-agencies' basis of accounting and the modified-accrual basis of accounting used by the LACDA in preparing its governmental fund financial statements are as follows:

- Amounts disbursed in exchange for notes receivable are treated as expenditures under the granting-agencies' basis of accounting.
- Notes receivable collections are treated as grant income under the granting-agencies' basis of accounting.
- Principal payments of long-term debt are treated as a reduction of the long-term debt and are not considered to be expenditures under the granting-agencies' basis of accounting.

Note 3: Relationship to Federal Financial Reports

Total expenditure amounts reported in the accompanying schedule of expenditures of federal awards agree with the total expenditure amounts reported in the related federal financial reports in all material respects, except for the effect of timing differences described in Note 2.

The LACDA has elected not to use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

Note 4: Relationship to the Basic Financial Statements

Federal award activities are recorded in the LACDA's special revenue funds and enterprise funds in the basic financial statements.

Note 5: Federal Loan Programs

The loan programs relating to assistance for low-income, elderly, and handicapped persons and development projects are administered directly by the LACDA; and balances and transactions relating to these programs are included in the LACDA's basic financial statements.

LOS ANGELES COUNTY DEVELOPMENT AUTHORITY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Note 5: Federal Loan Programs (Continued)

Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the accompanying schedule. The balance of loans outstanding at June 30, 2019, consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Balance at June 30, 2019</u>
11.307	EDA Loan Program	\$ 5,825,551
14.218	Float Loan Program	126,490
14.218	CDBG Revolving Loan Program	1,676,104
14.218	CDBG	175,000
14.248	Section 108 Loan Program	2,375,000
		<u>\$ 10,178,145</u>

Note 6: Public Housing Capital Fund

Public Housing Capital Fund (CFDA 14.872) expenditures by program identification were as follows:

<u>Program Identification Number</u>	<u>Amount</u>
CA16P002-501-16	\$ 127,682
CA16P002-501-17	4,029,335
CA16P002-501-18	2,663,852
CA16P002-501-19	133
	<u>\$ 6,821,002</u>

LOS ANGELES COUNTY DEVELOPMENT AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.195 and 14.856	Section 8 Project-Based Cluster
14.871	Housing Voucher Cluster
11.307	Economic Adjustment Assistance
14.248	Community Development Block Grants Section 108 Loan Guarantees

Dollar threshold used to distinguish between type A and type B program \$3,000,000

Auditee qualified as low risk auditee? Yes No

LOS ANGELES COUNTY DEVELOPMENT AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

There were no findings reported for the fiscal year ended June 30, 2018.



lacda.org

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Executive Director: Monique King-Viehlend
Commissioners: Hilda L. Solis, Mark Ridley-Thomas, Sheila Kuehl, Janice Hahn, Kathryn Barger



Monique King-Viehland, Executive Director

Los Angeles County Development Authority

700 West Main Street, Alhambra, CA 91801

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