



SINGLE AUDIT SUPPLEMENT

AND

INDEPENDENT AUDITORS' REPORTS

ON COMPLIANCE AND INTERNAL CONTROL

SEPTEMBER 30, 2012

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OKLAHOMA HOUSING FINANCE AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2012

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development:		
Section 8 Contract Administration Program	14.195	\$ 73,772,196
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	<u>194,745</u>
Section 8 Project - Based Cluster		73,966,941
Section 8 Housing Choice Vouchers Program	14.871	<u>57,495,591</u>
Total Section 8 Related		131,462,532
Housing Opportunities for Persons with AIDS	14.241	214,417
HOME Investment Partnerships Program	14.239	12,857,255
Tax Credit Assistance Program (American Recovery and Reinvestment Act - ARRA)	14.258	<u>1,531,802</u>
Total Federal Awards		<u><u>\$ 146,066,006</u></u>

OKLAHOMA HOUSING FINANCE AGENCY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2012

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes all federal grant activity of the Oklahoma Housing Finance Agency (the Agency) and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Agency.

Note 2 – Commitments and Contingencies

The Agency participates in various federal and state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Agency has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at September 30, 2012, may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grants.

Note 3 – Subrecipients

Of the federal expenditures presented in the Schedule, the Agency provided federal awards to subrecipients as follows:

<u>Program Title Provided</u>	<u>Federal CFDA Number</u>	<u>Amount</u>
HOME Investment Partnerships Program	14.239	\$ 11,900,141
Housing Oportunities for Persons with AIDS	14.241	\$ 207,635
Tax Credit Assistance Program	14.258	\$ 1,531,802

Note 4 – ARRA Funded Programs not Subject to A-133 Audit

The Agency administered the U.S. Department of Treasury Section 1602 program which is not covered by the single audit requirements and is not required to be included in the Schedule. The Agency incurred expenditures of \$13,789,626 for this program during 2012.

**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 Board of Trustees
Oklahoma Housing Finance Agency

We have audited the financial statements of Oklahoma Housing Finance Agency (the Agency) as of and for the year ended September 30, 2012, and have issued our report thereon dated January 28, 2013. 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.

Internal Control over Financial Reporting

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions 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*.

This report is intended solely for the information and use of management and the Board of Trustees, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Hogan Taylor LLP

January 28, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees
Oklahoma Housing Finance Agency

Compliance

We have audited the compliance of Oklahoma Housing Finance Agency (the Agency) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. The Agency's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

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 Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the compliance requirements referred to above that are could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that 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 items 12-1 and 12-2.

Internal Control over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on

internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Agency's responses to the findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the Agency's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Hogan Taylor LLP". The signature is written in a cursive, flowing style.

April 18, 2013

OKLAHOMA HOUSING FINANCE AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2012

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified		
	Yes	No	None Reported
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Internal control over financial reporting:			
Material weakness(es) identified?		X	
Significant deficiency(ies) identified?			X
Noncompliance material to financial statements noted?		X	

Federal Awards

	Yes	No	None Reported
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Internal control over major programs:			
Material weakness(es) identified?		X	
Significant deficiency(ies) identified?			X
Type of auditors' report issued on compliance for major programs:	Unqualified		
	Yes	No	None Reported
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Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	X		

OKLAHOMA HOUSING FINANCE AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

Year ended September 30, 2012

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.239	HOME Investment Partnerships Program
14.871	Section 8 Housing Choice Vouchers Program

Dollar threshold used to distinguish between type
A and type B programs:

\$4,381,980

Yes	No
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Auditee qualified as low-risk auditee?

X

Section II – Financial Statement Findings

None

OKLAHOMA HOUSING FINANCE AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

Year ended September 30, 2012

Section III – Findings and Questioned Costs for Federal Awards

Finding 12-1: Program Reporting

Criteria:

For each grant over \$200,000 that involves housing rehabilitation, housing construction, or other public construction, the prime recipient must submit Form HUD 60002 (24 CFR sections 135.3(a) and 135.90). As such, OHFA is required to submit Form HUD 60002 annually for the HOME Investment Partnerships Program. The report is due within 90 days of the program year-end and must contain key line items such as total dollar amount of construction contracts awarded on the project, total dollar amount of construction contracts awarded to Section 3 businesses, and total number of Section 3 businesses receiving construction contracts. The HOME program year-end is March 31st resulting in a June 30th reporting deadline.

Condition:

For the program year ended March 31, 2012, Form HUD 60002 for the HOME Investment Partnerships Program was not submitted until November 15, 2012. In addition, required amounts were not reported. All amounts reported were zeros.

Questioned Cost:

N/A

Cause:

OHFA was unclear as to whether or not amounts reported should be relative to OHFA as a participating jurisdiction or relative to its subrecipients (grantees). As such, OHFA gathered the grantee information as usual but elected to report the participating jurisdiction amounts.

Effect:

The inability to meet grant conditions could jeopardize the awarding of future grants. OHFA subsequently received notification from the U.S. Department of Housing and Urban Development to update the filing with the information gathered from grantees.

Recommendation:

We recommend OHFA submit the updated report as soon as possible and continue to report information at the subrecipient level for future reports by the specified deadline.

Oklahoma Housing Finance Agency Response:

Management concurs. The Section 3 report (form 6002) is normally submitted with the annual Consolidated Annual Performance and Evaluation Report (CAPER report) each year. The CAPER report is due annually by June 30. The CAPER report for program year 2011 was submitted in November 2011. The delay was due to implementing new processes within the HOME payment process. In the future, the report will be submitted by June 30.

OKLAHOMA HOUSING FINANCE AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

Year ended September 30, 2012

Finding 12-2: Subaward Reporting under the Transparency Act

Criteria:

Prime Grant Recipients awarded a new Federal grant greater than or equal to \$25,000 as of October 1, 2010, are subject to FFATA (Federal Funding Accountability and Transparency Act) sub-award reporting requirements as outlined in the Office of Management and Budgets guidance issued August 27, 2010. The prime awardee is required to file a FFATA sub-award report by the end of the month following the month in which the prime recipient awards any sub-grant greater than or equal to \$25,000.

Condition:

Under the HOME Investment Partnerships Program, OHFA was the prime grant recipient. During 2012, OHFA awarded grants to subrecipients in excess of \$25,000. No reporting of subawards was performed as required under FFATA.

Questioned Cost:

N/A

Cause:

The Federal Funding Accountability and Transparency Act is a relatively new legislation. 2012 was the first full year the A-133 Compliance Supplement requirement was in effect for OHFA's HOME Investment Partnerships Program. OHFA was unaware of the reporting requirement.

Effect:

The inability to meet grant conditions could jeopardize the awarding of future grants. OHFA subsequently received notification from the U.S. Department of Housing and Urban Development requesting OHFA to register and report the required information.

Recommendation:

We recommend OHFA register and submit the required information as soon as possible as well as implement controls to ensure future accurate and timely reporting.

Oklahoma Housing Finance Agency Response:

Management concurs. Management was unaware of the new reporting requirement. OHFA has consulted with the local HUD field office and obtained access to the FFATA Sub-award Reporting System (FSRS) database and entered all 2012 HOME awards. Future HOME awards will be entered into the FSRS database after awards are made by the OHFA Board.

OKLAHOMA HOUSING FINANCE AGENCY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended September 30, 2012

There were no prior year findings or questioned costs.