



SINGLE AUDIT SUPPLEMENT

AND

INDEPENDENT AUDITOR'S REPORTS

ON COMPLIANCE AND INTERNAL CONTROL

SEPTEMBER 30, 2013

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OKLAHOMA HOUSING FINANCE AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2013

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development:		
Section 8 Project - Based Cluster:		
Section 8 Contract Administration Program	14.195	\$ 72,434,401
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	<u>199,580</u>
Total Section 8 Project - Based Cluster		72,633,981
Section 8 Housing Choice Vouchers Program	14.871	<u>55,723,289</u>
Total Section 8 Related		128,357,270
Housing Opportunities for Persons with AIDS	14.241	248,010
HOME Investment Partnerships Program	14.239	7,897,042
Department of Homeland Security - Federal Emergency Management Agency:		
Disaster Housing Assistance Grant	97.109	<u>490,931</u>
Total Federal Awards		<u><u>\$ 136,993,253</u></u>

OKLAHOMA HOUSING FINANCE AGENCY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2013

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 position 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, 2013, 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	\$ 6,953,527
Housing Oportunities for Persons with AIDS	14.241	\$ 240,243

**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

To the Board of Trustees
Oklahoma Housing Finance Agency

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 Oklahoma Housing Finance Agency (the Agency), as of and for the year ended September 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated January 27, 2014.

Internal Control over Financial Reporting

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

Hogan Taylor LLP

January 27, 2014

**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 OMB CIRCULAR A-133
(INCLUDES REPORTING ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS)**

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Oklahoma Housing Finance Agency

Report on Compliance for Each Major Federal Program

We have audited Oklahoma Housing Finance Agency's (the Agency) 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 Agency's major federal programs for the year ended September 30, 2013. 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.

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

Opinion on Each Major Federal Program

In our opinion, the Agency 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, 2013.

Report on Internal Control Over Compliance

Management of the Agency 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 Agency'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 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. 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 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 Agency as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements. We issued our report thereon dated January 27, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion 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 OMB Circular A-133 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hagan Taylor LLP

January 27, 2014

OKLAHOMA HOUSING FINANCE AGENCY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2013

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified		
	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 auditor's report issued on compliance for major programs:	Unmodified		
	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, 2013

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Section 8 Project - Based Cluster:
14.195	Section 8 Contract Administration Program
14.856	Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation

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

\$4,109,798

Yes	No
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Auditee qualified as low-risk auditee?

X

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

OKLAHOMA HOUSING FINANCE AGENCY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended September 30, 2013

Finding 12-1: Program Reporting

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. Corrective action has been taken.

Finding 12-2: Subaward Reporting under the Transparency Act

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. Corrective action has been taken.