



## North Carolina Housing Finance Agency

Schedule of Expenditures of Federal Awards  
and Reports Required by *Government  
Auditing Standards* and the Uniform  
Guidance

Year Ended June 30, 2019

## North Carolina Housing Finance Agency

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Schedule of Expenditures of Federal Awards and Reports Required by  
*Government Auditing Standards* and the Uniform Guidance  
Year Ended June 30, 2019

# North Carolina Housing Finance Agency

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## 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*

Audit Committee of the Board of Directors  
North Carolina 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 the North Carolina Housing Finance Agency (the "Agency"), which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 19, 2019.

### 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.

*BDO USA, LLP*

September 19, 2019



## **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**

Audit Committee of the Board of Directors  
North Carolina Housing Finance Agency

### **Report on Compliance for Each Major Federal Program**

We have audited the North Carolina Housing Finance Agency's (the "Agency") 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 Agency's major federal programs for the year ended June 30, 2019. 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 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 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 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* (the "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 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 Agency'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 June 30, 2019.



## 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 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 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 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.

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 Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Agency as of and for the year ended June 30, 2019, and have issued our report thereon dated September 19, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 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 financial statements or to the 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 financial statements as a whole.

*BDO USA, LLP*

September 19, 2019

# North Carolina Housing Finance Agency

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Grant Number	Pass-Through Entity Identifying Number	Provided to Subrecipient <i>(In Thousands)</i>	Federal Expenditures <i>(In Thousands)</i>
<b>U.S. Department of Housing and Urban Development:</b>					
Direct:					
Section 8 Project-Based Cluster:					
Section 8 New Construction and Substantial Rehabilitation	14.182	A-3259	n/a	\$ -	\$ 955
Section 8 Housing Assistance Payments Program - Special Allocations	14.195	NC80-0CC0-001	n/a	-	158,799
Total Section 8 Project-Based Cluster				-	159,754
HOME Investment Partnerships Program	14.239	n/a	n/a	5,110	27,249
National Housing Trust Fund	14.275	SG370100	n/a	-	709
Pass-through from North Carolina Department of Commerce-Division of Community Assistance:					
Community Development Block Grants/Entitlement Grants	14.218	08-N-1904	B-08-DN-37-0001	-	6
<b>Total U.S. Department of Housing and Urban Development</b>				<b>5,110</b>	<b>187,718</b>
<b>U.S. Department of Treasury - Chartered by Congress:</b>					
Direct:					
Hardest Hit Fund	n/a	n/a	n/a	-	49,284
Pass-through from NeighborWorks America:					
National Foreclosure Mitigation Counseling Program	21.000	PL114-113X1350	NRC Act 42 U.S.C 8101-8107	-	7
<b>Total U.S. Department of Treasury - Chartered by Congress</b>				<b>-</b>	<b>49,291</b>
<b>Total Expenditures of Federal Awards</b>				<b>\$ 5,110</b>	<b>\$ 237,009</b>

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

# North Carolina Housing Finance Agency

## Notes to the Schedule of Expenditures of Federal Awards

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### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the North Carolina Housing Finance Agency (the "Agency") under programs of the federal government for the year ended June 30, 2019. 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* (the "Uniform Guidance"). 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. Therefore, certain amounts presented in the Schedule may differ from amounts presented in the Agency's financial statements.

All of the Agency's federal awards were in the form of cash assistance for the year ended June 30, 2019.

### 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. As directed by the Office of the State Auditor of North Carolina, expenditures of funds from the State of North Carolina totaling \$52,849,511 are excluded from the Schedule.

### 3. Indirect Cost Rate

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

### 4. Administrative Expenses

The expenditures of federal awards included the following administrative fees:

*Year ended June 30, 2019*

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Section 8 Housing Assistance Payments Program - Special Allocations	\$	5,408,853
HOME Investment Partnerships Program		3,024,142
National Housing Trust Fund		108,666
Community Development Block Grants/Entitlement Grants		6,388
Hardest Hit Fund		7,203,342
National Foreclosure Mitigation Counseling Program		6,679
Total	\$	15,758,070

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# North Carolina Housing Finance Agency

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

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### Section I - Summary of Auditor's Results

#### *Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

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Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
  - Significant deficiency(ies) identified?  yes  none reported
- Noncompliance material to financial statements noted?  yes  no

#### *Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes  no

Identification of major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

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14.182, 14.195

Section 8 Project-Based Cluster

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

\$3,000,000

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Auditee qualified as low-risk auditee?

yes  no

# North Carolina Housing Finance Agency

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

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### Section II - Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting.

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

### Section III - Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by CFR 200.516(a) (for example, significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs and material abuse). Where practical, findings should be organized by federal agency or pass-through entity.

There were no findings or questioned costs for federal awards that were required to be reported.