

HACIENDA COMMUNITY  
DEVELOPMENT CORPORATION

Reports Required by GAO *Government Auditing Standards*  
and OMB Circular A-133 and  
Schedule of Expenditures of Federal Awards

For the year ended  
June 30, 2015



MCDONALD JACOBS



**Shareholders**

Mark A. Clift, CPA

Jill Oswald

Karin S. Wandtke, CPA

Sang Ahn, CPA

Gerard DeBlois Jr., CPA

Mary Strasdin, CPA

Anthony Almer, CPA

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*

To the Board of Directors  
Hacienda Community Development Corporation

**Principals**

Jake Jacobs, CPA

Susan J. Marks, CPA

Tyee Carr, CPA

Victor Epstein, CPA

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 consolidated financial statements of Hacienda Community Development Corporation (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated December 2, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Hacienda Community Development Corporation'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hacienda Community Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Hacienda Community Development Corporation'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 organization'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 Hacienda Community Development Corporation's consolidated 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*.

We noted certain other matters that we reported to management of Hacienda Community Development Corporation in a separate letter dated December 2, 2015.

### **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 Hacienda Community Development Corporation'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 Hacienda Community Development Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*McDonald Jacobz, P.C.*

Portland, Oregon  
December 2, 2015



Shareholders

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133; REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Directors  
Hacienda Community Development Corporation

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

We have audited Hacienda Community Development Corporation's 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 Hacienda Community Development Corporation's major federal programs for the year ended June 30, 2015. Hacienda Community Development Corporation'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 Hacienda Community Development Corporation'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 Hacienda Community Development Corporation'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 Hacienda Community Development Corporation's compliance.

*Basis for Qualified Opinion on CFDA #21.000*

As described in the accompanying schedule of findings and questioned costs, Hacienda Community Development Corporation did not comply with requirements regarding CFDA #21.000, National Foreclosure Mitigation Counseling Program, for eligibility, as described in finding #2015-001. Compliance with such requirements is necessary, in our opinion, for Hacienda Community Development Corporation to comply with the requirements applicable to that program.

*Qualified Opinion on CFDA #21.000*

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, Hacienda Community Development Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the National Foreclosure Mitigation Counseling Program for the year ended June 30, 2015.

*Unmodified Opinion on Compliance for Each of the Other Major Federal Programs*

In our opinion, Hacienda Community Development Corporation 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Hacienda Community Development Corporation's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Hacienda Community Development Corporation'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 ABC Organization 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 Hacienda Community Development Corporation'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 Hacienda Community Development Corporation'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.

Given these limitations, during our audit 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. We did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency (#2015-001).

Hacienda Community Development Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Hacienda Community Development Corporation'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 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 consolidated financial statements of Hacienda Community Development Corporation as of and for the year ended June 30, 2015, and have issued our report thereon dated December 2, 2015, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. 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 consolidated 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 consolidated 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 consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

*McDonald Jacobo, P.C.*

Portland, Oregon  
December 2, 2015

**HACIENDA COMMUNITY DEVELOPMENT CORPORATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended June 30, 2015

Federal Grantor/Pass-through Grantor Program title	Contract Number	Federal CFDA Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
<i>Pass through program from:</i>			
Zenger Farms			
Local Foods Promotion Project	None	10.172	\$ 7,640
Farm Labor Housing Loans and Grants	None	10.405	836,394 (1)
<i>Pass through program from:</i>			
Oregon Department of Education			
Child and Adult Care Food Program	26-08010	10.558	<u>17,868</u>
Total U.S. Department of Agriculture			<u>861,902</u>
<b>U.S. Department of Commerce</b>			
<i>Pass through program from:</i>			
Economic Development Administration			
Economic Adjustment Assistance Program	07 79 07131	11.307	<u>186,317</u>
Total U.S. Department of Commerce			<u>186,317</u>
<b>U.S. Department of Housing and Urban Development</b>			
<i>Pass through program from:</i>			
The National Council of La Raza			
Housing Counseling Assistance Program	HC120011013	14.169	<u>22,245</u>
Portland Housing Bureau			
Community Development Block Grants	106762-10	14.218	648,351 (1)
Community Development Block Grants	106763-10	14.218	729,148 (1)
Community Development Block Grants	3110002	14.218	1,115,000 (1)
Community Development Block Grants	3110004	14.218	2,400,000 (1)
Native American Youth & Family Center			
Community Development Block Grants	32000959	14.218	55,000
Portland Development Commission			
Economic Opportunity Initiative	None	14.218	<u>107,294</u>
			<u>5,054,793</u>
			<i>Continued</i>

See notes to schedule of expenditures of federal awards.

**HACIENDA COMMUNITY DEVELOPMENT CORPORATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended June 30, 2015

Federal Grantor/Pass-through Grantor Program title	Contract Number	Federal CFDA Number	Federal Expenditures	
<b>U.S. Department of Housing and Urban Development</b>				
<i>Pass through program from:</i>				
Portland Housing Bureau				
Home Investment Partnerships Program	32000331	14.239	\$ 1,125,000	(1)
Home Investment Partnerships Program	38542-08	14.239	383,641	(1)
Home Investment Partnerships Program	3110003	14.239	1,209,881	(1)
Home Investment Partnerships Program	38241-03	14.239	238,744	(1)
Home Investment Partnerships Program	38240-02	14.239	20,833	(1)
Home Investment Partnerships Program	32000975	14.239	35,000	
Clackamas County				
Home Investment Partnerships Program	None	14.239	<u>400,000</u>	(1)
			<u>3,413,099</u>	
Enterprise Community Partners, Inc.				
Section 4 Capacity Building	13SG3107	14.252	<u>16,316</u>	
Total U.S. Department of Housing and Urban Development			<u>8,506,453</u>	
<b>U.S. Department of Treasury</b>				
<i>Pass through program from:</i>				
National Council of La Raza				
National Foreclosure Mitigation				
Counseling Program	PL 112-1095X1350	21.000	<u>398,306</u>	
Total U.S. Department of Treasury			<u>398,306</u>	
<b>U.S. Department of Health and Human Services</b>				
Community Service Block Grant				
Discretionary award	9OEE1015-01-00	93.570	<u>521,940</u>	
Total U.S. Department of Health and Human Services			<u>521,940</u>	
Total expenditures of federal awards			<u>\$ 10,474,918</u>	
			<i>Concluded</i>	

(1) Loans

See notes to schedule of expenditures of federal awards.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended June 30, 2015

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes all federal grant activity of Hacienda Community Development Corporation. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Hacienda Community Development Corporation, it is not intended to and does not present the financial position, changes in net assets or cash flows of Hacienda Community Development Corporation.

2. EXPENDITURES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained on OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditure are not allowable or are limited as to reimbursement.

Loans	\$ 9,106,992
Expenditures of federal awards	<u>1,367,926</u>
Total expenditures of federal awards	<u>\$ 10,474,918</u>
Expenditures of federal awards	\$ 1,367,926
Non-federal expenditures	<u>3,838,608</u>
Total expenditures per consolidated financial statements	<u>\$ 5,206,534</u>

HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended June 30, 2015

3. PASS-THROUGH SUB-AWARDS

The following federal loans and expenditures were invested in Hacienda QALICB, LLC and Vista de Rosas, LLC, wholly-owned subsidiaries of Hacienda Community Development Corporation.

Program title	CFDA Number	Expenditures
Community Development Block Grants	14.218	\$ 2,400,000
Community Development Block Grants	14.218	1,115,000
Home Investment Partnership Program	14.239	995,346
		\$ 4,510,346

HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the year ended June 30, 2015

There were no prior year audit findings.

**HACIENDA COMMUNITY DEVELOPMENT CORPORATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended June 30, 2015

**Section 1 - Summary of Auditor's Results**

**Financial Statements:**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting: Material weakness(es) identified?	None
Significant deficiencies identified that are not considered to be material weakness(es)?	None
Noncompliance material to financial statements noted?	No

**Federal Awards:**

Internal control over major programs: Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	Yes, #2015-001
Type of auditor's report issued on compliance for major programs:	Modified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	Yes

**Identification of Major Programs:**

11.307 Economic Adjustment Assistance Program  
14.218 Community Development Block Grants  
21.000 National Foreclosure Mitigation Counseling Program

Dollar threshold used to distinguish between Type A and Type B programs.	\$300,000
Auditee qualified as low-risk auditee?	Yes

HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued  
For the year ended June 30, 2015

Section 2 - Financial Statement Findings

None reported.

Section 3 - Federal Award Findings and Questioned Costs

Finding # 2015-001

Type: Federal Award

CFDA Number: 21.000

Federal Agency: U.S. Department of Treasury

Name of Federal Program: National Foreclosure Mitigation Counseling Program

Requirement:

Casefiles must include certain forms per contractual requirements.

Condition:

The Organization must maintain certain documentation in participant files regarding their eligibility, acceptance and progress. Files examined were lacking some of the required documentation.

Context:

From a review of 40 case files, 13 files were missing one or more of the required documents, including MHA approval, privacy policy notification, and intake forms.

Cause:

There is not an adequate system of controls in place to help ensure participant files contain all the required documentation, whether in paper or electronic format.

Effect:

Clients served could be ineligible for services.

Questioned Costs:

Not determined.

Recommendation:

We recommend the Organization implement new policies and procedures regarding the documentation retention requirements and periodically review these policies with staff.

HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued  
For the year ended June 30, 2015

Management's Response:

During the year ended June 30, 2015 Hacienda CDC began transferring all of its housing counseling files into e-files upon the completion of service. It has become apparent that the controls over that process did not anticipate certain potential problems, including 2-sided papers being scanned as 1-sided documents. We have now placed stronger controls and oversight in place in order to make sure no documentation is inadvertently not converted when the file is closed, and to verify that all required tasks have been completed. This additional oversight will ensure that all of the work Hacienda CDC's counselors perform is sufficiently documented in all of our converted files going forward. We're very proud of the hard work our counselors do in order to assist homeowners with their housing issues and as such are confident in our ability to demonstrate this in our files.

**HACIENDA COMMUNITY DEVELOPMENT CORPORATION  
CORRECTIVE ACTION PLAN  
For the year ended June 30, 2015**

Hacienda Community Development Corporation respectfully submits the following corrective action plan for the year ended June 30, 2015.

**Name and Address of Independent Public Accounting Firm:**

McDonald Jacobs, P.C.  
520 SW Yamhill, Suite 500  
Portland, OR 97204

**Audit Period:**

July 1, 2014 through June 30, 2015.

The finding from the June 30, 2015 schedule of findings and questioned costs is discussed below. The findings are numbered consistently with the numbers assigned in the schedules.

**Finding # 2015-001**

**Significant Deficiency & Compliance Finding:**

The Organization must maintain certain documentation in participant files regarding their eligibility, acceptance and progress. Files examined were lacking some of the required documentation. From a review of 40 case files, 13 files were missing one or more of the required documents, including MHA approval, privacy policy notification, and intake forms.

**Recommendation:**

The auditors recommend the Organization implement new policies and procedures regarding the documentation retention requirements and periodically review these policies with staff.

**Corrective Action:**

We have placed stronger controls and oversight in place in order to ensure no documentation is inadvertently not converted when the file is closed, and to verify that all required tasks have been completed. This additional oversight will ensure that all of the work Hacienda CDC's counselors perform is sufficiently documented in all of our converted files going forward.