

# **MISSISSIPPI HOME CORPORATION**

**Report on Compliance in  
Accordance with OMB Circular A-133  
For the Year Ended June 30, 2011**

## CONTENTS

---

Independent Auditor's Report	1 – 2
Schedule of Expenditures of Federal Awards	3
Schedule of Findings and Questioned Costs	4 – 5
Summary Schedule of Prior Audit Findings	6 – 7

---



**INDEPENDENT AUDITOR'S 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**

Mississippi Home Corporation  
Jackson, Mississippi

Compliance

We have audited the compliance of Mississippi Home Corporation (the "Corporation") 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 June 30, 2011. The Corporation'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 Corporation's management. Our responsibility is to express an opinion on the Corporation'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 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. Our audit does not provide a legal determination on the Corporation's compliance with those requirements.

In our opinion, the Corporation complied, in all material respects, with the 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, 2011.

## Internal Control over Compliance

Management of the Corporation 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 Corporation'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 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.

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.

We have audited the basic financial statements of the Corporation as of and for the year ended June 30, 2011, and have issued our report thereon dated October 3, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Directors 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 dark ink, appearing to read "Haine LLP", is written in a cursive, flowing style.

Ridgeland, Mississippi  
October 3, 2011

**MISSISSIPPI HOME CORPORATION**  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011

<b>Federal Granting Agency/Grant Program/Grant - Contract Number</b>	<b>Federal CFDA Number</b>	<b>Grant/Contract Period</b>	<b>Grant/Contract Award as of June 30, 2011</b>	<b>Federal Expenditures</b>
<b>Direct Programs</b>				
Department of Housing and Urban Development				
HC-09-0441-004	14.169	10/01/09 - 09/30/10	\$ 150,247	\$ 31,922
HC-10-0441-002	14.169	10/01/10 - 09/30/11	175,000	109,532
*M09-ES280100-TCAP (ARRA)	14.258	06/24/09 - 02/16/12	21,881,803	17,275,792
				<u>17,417,246</u>
Department of Agriculture Rural Development				
28-025-640644578-02-08	10.446	05/14/08 - 05/14/11	180,000	39,253
280250640644578	10.415	05/05/08 - 05/05/38	2,000,000	597,750
				<u>637,003</u>
Department of Treasury				
GW-20100223_15 (NeighborWorks)	21.000	10/16/09 - 12/31/10	85,150	24,363
*TDP2009GRMS52 - Section 1602 (ARRA)	21.020	02/18/10 - 12/31/10	29,664,458	22,610,208
Hardest Hit Fund	21.Unknown	09/23/10 - 12/31/17	101,888,323	530,316
				<u>23,164,887</u>
Total direct programs				<u>41,219,136</u>
<b>Pass-Through Programs</b>				
Mississippi Development Authority				
M08-SG-28-01-1010	14.239	12/15/08 - 12/15/10	750,000	1,052
M09-SG-28-01-1010	14.239	12/21/09 - 12/21/11	750,000	570,000
M00-SG-28-01-1010	14.239	08/04/10 - 08/04/12	210,937	59,062
M10-SG-28-01-10101	14.239	11/29/10 - 11/29/11	750,000	-
N1807-09-025-HB-01 (NSP)	14.228	03/16/09 - 03/15/13	18,473,777	7,467,914
R154-001-TCAP	14.228	03/09/09 - 03/09/12	20,690,152	1,374,308
M02-SG-28-01-1010 (HLP)	14.239	08/04/10 - 08/04/12	1,767,803	1,457,275
Total pass-through programs				<u>10,929,611</u>
Total all programs				<u>\$ 52,148,747</u>

\* Funds awarded under this program represent American Recovery and Reinvestment Act ("ARRA") Funds.

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis.

**MISSISSIPPI HOME CORPORATION**  
Schedule of Findings and Questioned Costs  
June 30, 2011

Section I - Summary of Auditor's Results

**Financial Statements:**

- |    |  |               |
|----|--|---------------|
| 1. | Type of auditor's report issued  | Unqualified   |
| 2. | Internal control over financial reporting:   |               |
|    | a. Material weaknesses identified  | No            |
|    | b. Significant deficiencies identified that are not considered to be material weaknesses | None reported |
| 3. | Noncompliance material to financial statements noted                                     | No            |

**Federal Awards:**

- |    |  |  |
|----|--|--|
| 4. | Type of auditor's report issued on compliance for major programs   | Unqualified                                      |
|    | Internal control over major programs:  |  |
|    | a. Material weaknesses identified  | No   |
|    | b. Significant deficiencies identified that are not considered to be material weaknesses   | None reported                                    |
| 5. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133                        | No   |
| 6. | Federal program identified as a major program:<br>Tax Credit Assistance Program (TCAP) (ARRA)<br>Section 1602 (ARRA)<br>Hardest Hit Fund | CFDA# 14.258<br>CFDA# 21.020<br>CFDA# 21.Unknown |
| 7. | Dollar threshold used to distinguish between type A and type B programs  | \$1,564,462                                      |
| 8. | Auditee qualified as low risk?   | Yes  |

Section II – Financial Statement Findings

No matters were reported.

**MISSISSIPPI HOME CORPORATION**  
Schedule of Findings and Questioned Costs  
June 30, 2011

Section III – Findings and Questioned Costs for Federal Awards

No matters reported.

**MISSISSIPPI HOME CORPORATION**  
Summary Schedule of Prior Audit Findings  
June 30, 2011

**Finding 2010-1: Controls Over Program Income (Finding)**

Program income was not identified in a timely manner. As a result, program income was not held in a non-interest bearing account and was not returned to the awarding agency within 30 days of receipt. In the course of reviewing program income, we noted six installments of program income that were earned from federal funds. Program income in the amount of \$2,900 was inappropriately held in an interest bearing account until the amount was returned to the awarding agency after the 30 day requirement. Interest income in the amount of \$2.00 was earned on the principal amount. In order to avoid improper remittance of program income to the awarding agency, we recommend that the Controller be promptly notified of program income. The Controller should place the program income in a non-interest bearing account and return the program income to the awarding agency within 30 days. We recommend that the Controller submit proof of the program income remittance to the Grant Management Assistant. The process would improve controls to ensure that program income is identified and returned to the awarding agency within 30 days.

**Finding 2010-1: Controls Over Program Income (Corrective Action)**

The Corporation will implement a daily deposit review to ensure program income is identified and returned to the awarding agency within 30 days.

The Senior Accountant will review deposits on a daily basis to identify program income and notify the Controller. The Controller will verify that the funds are held in a non-interest bearing account if required by the program. The Controller will notify the Grant Management Assistant of program income and request the completion of a program income report. The Controller will prepare a check request for approval by the Chief Financial Officer to remit the funds to the awarding agency. The check will be delivered to the Grant Management Assistant for submission to the awarding agency with the accompanying program income report.

Conclusion: Corrective action was taken.

**Finding 2010-2: Davis-Bacon Act Requirement (Finding)**

Laborers who work with contractors were not being paid in accordance with the prevailing wage rates set by the Department of Labor. In the course of auditing the Federal expenditures under the Davis-Bacon Act requirements, we noted two employees who were not paid in accordance with the prevailing wage rates set by the United States Department of Labor. The amount of funds erroneously under paid totaled \$1,138. In order to ensure that all laborers are paid in accordance with the United States Department of Labor, the Corporation should implement control procedures to more thoroughly review the Loan Officer's initial review. This review should include a periodic recalculation of the rate paid versus the approved rate to ensure that the employees are paid in compliance with final restriction. This process will ensure that laborers are paid in accordance with the prevailing wage rates set by the United States Department of Labor.



**MISSISSIPPI HOME CORPORATION**  
Summary Schedule of Prior Audit Findings  
June 30, 2011

**Finding 2010-2: Controls Over Davis-Bacon (Corrective Action)**

The Corporation understands the importance of complying with Davis-Bacon requirements and acknowledges the auditor's finding. The Corporation has addressed its review procedures, and in addition to the Loan Officer's review, a second person will review the payroll schedules on a random sample basis each quarter and perform recalculations to ensure compliance with Davis-Bacon regulations.

Conclusion: Corrective action was taken.