

Mississippi Home Corporation

Reports on Compliance in Accordance with the Uniform Guidance

For the Year Ended June 30, 2022

Mississippi Home Corporation

June 30, 2022

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**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 the Uniform Guidance**

Independent Auditor's Report

Board of Directors
Mississippi Home Corporation
Jackson, Mississippi

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Mississippi Home Corporation's (the Corporation) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended June 30, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of

laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Corporation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards require the auditor to perform limited procedures on the Corporation's responses to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Corporation's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The Corporation is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Corporation's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2002-002 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on the Corporation's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Corporation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. The Corporation is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. The Corporation's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the combined financial statements of the Corporation, as of and for the year ended June 30, 2022. We have issued our report thereon dated November 4, 2022, which contained an unmodified opinion on those combined financial statements. Our audit was performed for the purpose of forming an opinion on the combined financial statements that collectively comprise the combined 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 combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit

of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the combined financial statements as a whole.

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.

FORVIS, LLP

Jackson, Mississippi
December 21, 2022

Mississippi Home Corporation
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Amount Passed Through to Subrecipients	Total Federal Expenditures
U. S. Department of Housing and Urban Development				
Housing Counseling Assistance Program	14.169		\$ 260,637	\$ 320,486
Home Investment Partnerships Program (HOME)	14.239		3,614,142	3,969,620
Housing Trust Fund	14.275		3,033,365	3,134,244
Emergency Solutions Grant Program	14.231		2,159,495	2,245,659
COVID-19 - Emergency Solutions Grant Program	14.231		7,606,678	7,726,657
			<u>9,766,173</u>	<u>9,972,316</u>
Housing Opportunities for Persons with AIDS	14.241		1,663,736	1,713,881
COVID-19 - Housing Opportunities for Persons with AIDS	14.241		44,683	46,843
			<u>1,708,419</u>	<u>1,760,724</u>
Total U. S. Department of Housing and Urban Development			<u>18,382,736</u>	<u>19,157,390</u>
U. S. Department of Treasury				
Hardest Hit Fund	21.Unknown		-	2,645,027
Passed Through the State of Mississippi, Department of Finance and Administration				
COVID-19 - Emergency Rental Assistance Program	21.023	ERA 2101070410	-	139,080,520
COVID-19 - Emergency Rental Assistance Program	21.023	ERA2 0373	-	66,095,442
			<u>-</u>	<u>205,175,962</u>
COVID-19 - Homeowner Assistance Fund	21.026	HAF 0089	-	8,680,095
Total passed through the State of Mississippi, Department of Finance and Administration			<u>-</u>	<u>213,856,057</u>
Total U.S. Department of Treasury			<u>-</u>	<u>216,501,084</u>
Total Expenditures of Federal Awards			<u>\$ 18,382,736</u>	<u>\$ 235,658,474</u>

Mississippi Home Corporation
Notes to Schedule of Expenditures of Federal Awards
June 30, 2022

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Corporation under programs of the federal government for the year ended June 30, 2022. 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position, changes in net position or cash flows of the Corporation.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122 or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

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

Mississippi Home Corporation

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

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

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Material weakness(es) identified? ☐ Yes ☒ No

3. Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over major federal awards programs:

Significant deficiency(ies) identified? ☒ Yes ☐ None reported

Material weakness(es) identified? ☐ Yes ☒ No

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

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? ☒ Yes ☐ No

7. Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
14.239	Home Investment Partnerships Program (HOME)
14.231	Emergency Solutions Grant Program
	COVID-19 – Emergency Solutions Grant Program
21.023	COVID-19 – Emergency Rental Assistance Program
21.026	COVID-19 – Homeowner Assistance Fund

8. Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

9. Auditee qualified as a low-risk auditee? ☒ Yes ☐ No

Mississippi Home Corporation
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2022

Section II – Financial Statement Findings

No matters are reportable.

Mississippi Home Corporation

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2022

Reference Number	Finding
2022-001	<p style="text-align: center;">Emergency Rental Assistance Program Assistance Listing Number 21.023 U.S. Department of Treasury</p> <p>Criteria or Specific Requirement – Eligibility</p> <p>Condition – Although the Corporation has implemented controls over compliance with their Emergency Rental Assistance (ERA) Program’s policies and procedures, which included fraud prevention and detection procedures, the Corporation identified program applicants with indicators of potential fraud that could not be independently evaluated by the Corporation under the applicants’ self-certification process allowed by ERA. The Corporation discovered 1,229 applicants in fiscal year 2022 and 13 applicants in fiscal year 2021 that included potential fraud indicators. Funds were disbursed to these applicants prior to the Corporation becoming aware of the potential fraud indicators. The potential fraud was not material to the program as a whole.</p> <p>Questioned Costs – None.</p> <p>Context – Following the criteria from the U.S. Department of Treasury (the Treasury) as defined in the OMB Compliance Supplement, no exceptions were identified in the auditor’s sample of 40 applicants. The Corporation provided the list of identified potentially fraudulent applicants to the auditor separate from the sample tested by the auditor.</p> <p>Effect – The aforementioned applicants were determined to be potentially fraudulent by the Corporation on the basis of the presence of potential fraud indicators. During November 2021, the Corporation provided the initial list of identified potentially fraudulent applicants to the Office of the Attorney General of the State of Mississippi.</p> <p>Prior Year Auditing Finding – N/A</p> <p>Cause – The Treasury allowed applicants to provide self-certification of financial hardship to meet statutory eligibility requirements. The Corporation followed the prescribed Treasury and ERA guidelines.</p> <p>Recommendation – Even though the guidelines as established by the Treasury were followed, we recommend the Corporation continue to follow its policies and procedures as it relates to the prevention and detection of fraud and consider the need to develop additional procedures and controls to identify fraud.</p>

Mississippi Home Corporation
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2022

**Reference
Number**

Finding

Views of Responsible Officials and Planned Corrective Actions – In addition to following the Corporation's policies and procedures developed in accordance with ERA Program guidelines established by the Treasury, the Corporation implemented additional procedures related to fraud prevention and detection. The Corporation began independent property ownership searches, added additional application review requirements for large tenant-paid payments, and added additional recertification requirements, including proof of payment to landlord. Effective August 15, 2022, Governor Reeves directed the Corporation to stop accepting new applications for assistance through the ERA Program. All applications received prior to August 15, 2022 would continue to be processed in accordance with federal law and program rules and regulations. After such applications are processed, the remaining federal funds, if any, will be returned to the Treasury.

Mississippi Home Corporation
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2022

Reference Number	Finding
2022-002	<p style="text-align: center;">HOME Investment Partnerships Program Assistance Listing Number 14.239 U.S. Department of Housing and Urban Development</p> <p>Criteria or Specific Requirement – Special Tests and Provisions – Housing Quality Standards – 24 CFR Sections 92.209(i), 92.251(f), and 92.504(d)</p> <p>Condition – The spreadsheet used by the Corporation for the tracking of the status of housing quality inspections was not followed, and the position responsible for performing the inspections was vacant during the year which lead to certain property inspections becoming delinquent.</p> <p>Questioned Costs – N/A.</p> <p>Context – Housing quality inspections for 5 of 17 properties were delinquent at June 30, 2022.</p> <p>Effect – Housing quality property standards may be unmet, and the situation could go undetected by the Corporation.</p> <p>Prior Year Auditing Finding – N/A</p> <p>Cause – The position responsible for the Corporation was vacant during the year, and no other personnel in the department completed the required housing quality inspections.</p> <p>Recommendation – We recommend the Corporation utilize a tracking system to ensure properties are subject to housing quality inspections within their required timeframe. Further, we recommend the Corporation develop a contingency plan to ensure inspections are completed if the position remains vacant.</p> <p>Views of Responsible Officials and Planned Corrective Actions – Due to turnover and the existing labor market, positions within the HOME grant department remain unfilled. Additionally, current staffing levels have not allowed for cross-utilization of another employee to complete the required inspections. The Corporation is seeking to fill open positions or hire a contractor to complete the required inspections.</p>

Mississippi Home Corporation
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

Reference Number	Summary of Finding	Status
No matters are reportable.		