

MISSISSIPPI HOME CORPORATION

**Report on Compliance in
Accordance with The Uniform Guidance
For the Year Ended June 30, 2017**

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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

Mississippi Home Corporation
Jackson, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Mississippi Home Corporation's (the "Corporation") 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 Corporation's major federal programs for the year ended June 30, 2017. 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.

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 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 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"). 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 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 the Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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 major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Corporation 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 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 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 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. 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 Corporation as of and for the year ended June 30, 2017, and have issued our report thereon dated October 11, 2017, 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

HORNE LLP

Ridgeland, Mississippi
October 11, 2017

MISSISSIPPI HOME CORPORATION
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Granting Agency/ Grant Program/Grant - Contract Number	Federal CFDA Number	Pass-Through Entity Identifying Number	Grant/ Contract Period	Grant/ Contract Award as of June 30, 2017	Passed through to Subrecipients	Federal Expenditures
Direct Programs						
Department of Housing and Urban Development						
HC-16-0441-003	14.169		10/01/15 - 03/31/17	312,688	\$ 211,156	\$ 287,194
M10-SG-280100	14.239		07/13/10 - 09/30/17	15,562,911	3,154	3,154
M11-SG-280100	14.239		06/29/11 - 09/30/18	13,665,713	1,011,980	1,011,980
M12-SG-280100	14.239		07/10/12 - 09/30/19	8,079,803	954,195	954,195
M13-SG-280100	14.239		07/02/13 - 09/30/20	7,233,129	2,448,019	2,446,676
M14-SG-280100	14.239		07/23/14 - 09/30/21	7,462,375	2,223,579	2,223,579
M15-SG-280100	14.239		07/22/15 - 09/01/23	6,567,477	1,160,859	1,575,075
M16-SG-280100	14.239		08/22/16 - 09/01/24	6,957,986	912,880	912,880
F16-SG-280100	14.275		03/02/17 - 03/02/24	3,000,000	-	8,653
E14-DC-28-0001	14.231		07/01/14 - 07/31/16	2,131,038	30,877	30,877
E15-DC-28-0001	14.231		07/01/15 - 07/22/17	2,247,444	507,443	605,514
E16-DC-28-0001	14.231		07/01/16 - 08/22/18	2,233,204	1,733,451	1,733,451
HOPWA MSH13F999	14.241		08/26/13 - 08/31/19	940,452	709,385	718,922
HOPWA MSH14F999	14.241		09/03/14 - 08/31/20	963,495	-	28,905
HOPWA MSH15F999	14.241		07/24/15 - 07/24/18	988,917	-	25,820
HOPWA MSH16F999	14.241		08/24/16 - 08/24/19	1,017,669	-	5,925
					<u>11,906,978</u>	<u>12,572,800</u>
Department of Treasury						
Hardest Hit Fund	21.Unknown		09/23/10 - 12/31/21	144,291,701	-	14,391,871
					-	<u>14,391,871</u>
Total direct programs						
					<u>11,906,978</u>	<u>26,964,671</u>
Pass-Through Programs						
Mississippi Development Authority						
N1807-09-025-HB-01 (NSP/HBA)	14.228	809399686	03/16/09 - 06/30/17	18,468,427	-	344,918
Total pass-through programs						
					-	<u>344,918</u>
Total all programs					\$ 11,906,978	\$ 27,309,589

Note 1. Basis of Presentation

The above schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Mississippi Home Corporation (the "Corporation") under programs of the federal government for the year ended June 30, 2017. 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 assets, 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 the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Corporation has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Loans Outstanding

The Corporation had the following note outstanding with the Department of Agricultural Rural Development program at June 30, 2017.

Program Title Outstanding	CFDA No.	Amount
General Corporate Fund - Notes Payable	10.415	\$ <u>1,608,663</u>

MISSISSIPPI HOME CORPORATION
 Schedule of Findings and Questioned Costs
 June 30, 2017

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 |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified | No |
| | b. Significant deficiencies identified | None reported |
| 3. | Noncompliance material to financial statements noted | No |

Federal Awards:

- | | | |
|----|---|----------------------------------|
| 4. | Type of auditor's report issued on compliance for major programs | Unmodified |
| 5. | Internal control over major programs: | |
| | a. Material weaknesses identified | No |
| | b. Significant deficiencies identified | None reported |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a) | No |
| 7. | Identification of major programs:
Hardest Hit Fund
Housing Opportunities for Persons with AIDS | CFDA# 21.unknown
CFDA# 14.241 |
| 8. | Dollar threshold used to distinguish between type A and type B programs | \$819,288 |
| 9. | Auditee qualified as low risk? | Yes |

Section II – Financial Statement Findings

No matters were reported.

Section III – Findings and Questioned Costs for Federal Awards

No matters were reported.

MISSISSIPPI HOME CORPORATION
Summary Schedule of Prior Audit Findings
June 30, 2017

Finding No. 2016-001

Information on the federal program:

CFDA# and title: 14.239 HOME Investment Partnerships Program

Federal award identification number: M10-SG-280100, M11-SG-280100, M12-SG-280100, M13-SG-280100, M14-SG-280100, and M15-SG-280100

Name of the federal agency: Department of Housing and Urban Development

Name of the pass-through entity (if applicable): N/A

Criteria: Per 24 CFR 92.504 participating jurisdictions are required to complete an initial onsite monitoring visit within twelve months of a project's completion and every three years thereafter during the period of affordability.

Condition: Thirty-one of seventy-eight closed projects within the Community Housing Development Organization ("CHDO") program have not had an onsite monitoring visit performed within the last three years as required during the period of affordability. Also, two projects that were completed within the last twelve months have not received an initial onsite monitoring visit required in order to close out the project.

Cause: The Corporation took over the CHDO program from Mississippi Development Authority ("MDA") on July 1, 2015. A large number of projects were either already non-compliant with the program monitoring requirements or required monitoring during the 2016 fiscal year. Due to the large back log inherited from MDA, the Corporation was unable to conduct onsite monitoring visits for all projects in the CHDO program during 2016.

Effect: At June 30, 2016, thirty-one of seventy-eight closed projects within the CHDO program were not in compliance with the period of affordability monitoring requirements. Also, two projects that were completed within the last twelve months were not in compliance with the initial onsite monitoring requirements. As the participating jurisdiction, the State of Mississippi could be responsible for the repayment of grant funds used for noncompliant projects.

Questioned Costs: \$0-

Context: Once the issue was discovered in our sample, we analyzed a listing of all projects within the CHDO program, with regards to the last time an onsite monitoring visit was performed. This analysis led us to determine the number of projects that had not met their onsite monitoring requirements based on the information provided to us by the Corporation.

Identification as a repeat finding, if applicable: N/A

Auditor's Recommendation: We recommend the Corporation develop a plan to ensure that the projects out of compliance receive their onsite monitoring visits as well as establish procedures and controls to ensure that future projects are in compliance with onsite monitoring requirements.

Views of responsible officials: Management of the Corporation has developed a strategy to ensure that the projects out of compliance receive onsite monitoring visits as soon as is feasible.

MISSISSIPPI HOME CORPORATION
Summary Schedule of Prior Audit Findings
June 30, 2017

Corrective Action Taken: During fiscal year 2017, the Federal Grant Management Officer completed onsite visits, as described below, and documented findings and corrections. Six developments were found to have ownership issues. Of the thirty-one closed projects noted in the corrective action plan; twenty-two developments received onsite visits, six developments had changed ownership and have been sent to legal for additional title searches, two developments completed the twenty year compliance period requirement and were released, and one development was purchased through foreclosure and an onsite visit has been scheduled. As legal completes the additional title searches and identifies development owners, MHC will incorporate these developments into the onsite compliance monitoring rotation. MHC plans to have these title searches and onsite visits completed by June 30, 2018. Initial onsite monitoring visits were performed on the two projects that were completed during fiscal year 2016.