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STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

July 18, 2014

Board of Directors  
St. Joseph County Housing Authority  
c/o Housing Assistance Office, Inc.  
2410 Grape Road, Suite 2  
Mishawaka, IN 46544

We have reviewed the audit report prepared by Pamela J. Simpson, CPA, Independent Public Accountant, for the period October 1, 2012 to September 30, 2013. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the St. Joseph County Housing Authority, as of September 30, 2013 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings, found on pages 23 through 27.

The Independent Public Accountant's report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

**HOUSING AUTHORITY OF  
THE COUNTY OF ST. JOSEPH  
MISHAWAKA, INDIANA**

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**REPORT ON EXAMINATION OF  
FINANCIAL STATEMENTS AND  
SUPPLEMENTAL DATA**

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**TWELVE MONTHS ENDED SEPTEMBER 30, 2013**

**HOUSING AUTHORITY OF THE COUNTY OF ST. JOSEPH  
MISHAWAKA, INDIANA**

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## Independent Auditor's Report

Board of Commissioners  
Housing Authority of the County of St. Joseph  
Mishawaka, Indiana

I have audited the accompanying financial statements of the Housing Authority of the County of St. Joseph, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Housing Authority of the County of St. Joseph's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority of the County of St. Joseph's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the County of St. Joseph's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Housing Authority of the County of St. Joseph, as of September 30, 2013 and the changes in its net position and its cash flows for the year end in accordance with accounting principles generally accepted in the United States of America.

## **Report on Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures on the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

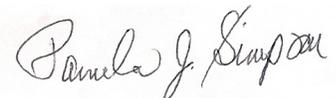
## **Report on Supplemental Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the County of St. Joseph's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. Further, the financial data schedules shown on pages 29 to 33 are presented for purposes of additional analysis as required by *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, and are 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the above described supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

## **Report Issued in Accordance with *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated June 11, 2014 on my consideration of the Housing Authority of the County of St. Joseph's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of a *Government Auditing Standards* and should be considered in assessing the results of my audit.



Decatur, Illinois  
June 11, 2014

Certified Public Accountant

**HOUSING AUTHORITY OF THE COUNTY OF ST. JOSEPH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING SEPTEMBER 30, 2013**

3

**Management's Discussion and Analysis**

As management of the Housing Authority of the County of St. Joseph we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Housing Authority of the County of St. Joseph, 2410 Grape Road, Suite 2, Mishawaka, Indiana (574) 256-9444.

**Overview of the Financial Statements**

The financial statements included in this annual report are those of a special-purpose government engaged in a business-type activity. The following statements are included:

- Statement of Net Position – reports the Authority's current financial resources (short term spendable resources) with capital assets and long-term debt obligations.
- Statement of Revenues, Expenses, and Changes in Fund Net Position reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- Statement of Cash Flows – reports the Authority's cash flows from operating, investing, capital and non-capital activities.

**Financial Highlights**

The Housing Authority of the County of St. Joseph's net position decreased from \$98,522 to \$64,565, a decrease of \$33,957 or 35%. The total assets decreased the same amount.

Total revenues decreased from \$1,042,487 to \$944,819, a decrease of \$210,797, or 20%. Revenues are comprised of HUD operating grants and other revenue.

Total expenses decreased by \$52,770, from \$1,020,926 to \$975,128 for the current year. This represents a decrease of 5%.

**Future Events (New Business)**

There are no future events planned by the Authority during the fiscal year ending September 30, 2014 that will significantly affect the Authority's Net Assets either positively or negatively.

**HOUSING AUTHORITY OF THE COUNTY OF ST. JOSEPH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING SEPTEMBER 30, 2013**

**Condensed Comparative Financial Statements**

*Analysis of Entity Wide Net Position*

**Total Assets** for FYE 2012 was \$98,522 and at FYE 2013 the amount was \$64,565. This represents a net decrease of \$33,957.

**Cash** decreased by \$40,299 or 55%. Cash decreased because the Authority's net position decreased due to operations.

**Other Current Assets** increased by \$6,342. The Authority increased the amount of receivable from related parties.

The table below illustrates our analysis:

	<u>2013</u>	<u>2012</u>	<u>Net Change</u>	<u>Percent Variances</u>
Cash	32,490	72,789	(40,299)	-55%
Other Current Assets	32,075	25,733	6,342	25%
<b>Total Assets</b>	<b>64,565</b>	<b>98,522</b>	<b>(33,957)</b>	<b>-35%</b>
Deferred Outflows of Resources	0	0	0	0%
<b>TOTAL</b>	<b>64,565</b>	<b>98,522</b>	<b>(33,957)</b>	<b>-35%</b>
Current Liabilities	0	0	0	0%
Noncurrent Liabilities	0	0	0	0%
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>
Deferred Inflows of Resources	0	0	0	0%
Net Investment in Capital Assets	0	0	0	0%
Restricted	55,520	91,718	(36,198)	-40%
Unrestricted	9,045	6,804	2,241	33%
<b>Total Net Position</b>	<b>64,565</b>	<b>98,522</b>	<b>(33,957)</b>	<b>-35%</b>
<b>TOTAL</b>	<b>64,565</b>	<b>98,522</b>	<b>(33,957)</b>	<b>-35%</b>

**HOUSING AUTHORITY OF THE COUNTY OF ST. JOSEPH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING SEPTEMBER 30, 2013**

*Analysis of Entity Wide Revenue*

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending 2013 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Housing Choice Vouchers	\$625,608

Total revenues for Fiscal Year Ending September 30, 2012 were \$1,042,487 as compared to the total revenues for Fiscal Year Ending September 30, 2013 of \$944,819. Comparatively, Fiscal Year Ending 2012 revenues exceeded Fiscal Year Ending 2013 revenues by \$210,797.

	2013	2012	Net Change	Percentage Change
HUD Operating Grants	936,972	1,042,487	(105,515)	-10%
Other Revenue	7,847	0	7,847	100%
<b>Total Revenue</b>	<u><u>944,819</u></u>	<u><u>1,042,487</u></u>	<u><u>210,797</u></u>	<u><u>20%</u></u>

*Analysis of Entity Wide Expenditures*

**Total Expenditures** for Fiscal Year Ending September 30, 2012 were \$1,020,926 as compared to \$975,128 of total expenditures for Fiscal Year Ending September 30, 2013. Comparatively, Fiscal Year Ending 2012 expenditures exceeded Fiscal Year Ending 2013 expenditures by \$52,770. Changes by major expense category will be presented below.

**Administrative** expenditures decreased by \$3,056 or 3%.

**Housing Assistance Payments** decreased by \$49,714 or 5%. Leased units for the Voucher Program increased by 190 units or 12.8% from Fiscal Year 2012.

The table below illustrates our analysis:

	2013	2012	Net Change	Percent Variances
Administrative	86,668	89,724	(3,056)	-3%
Housing Assistance Payments	888,460	931,202	(49,714)	-5%
<b>Total Expenses</b>	<u><u>\$975,128</u></u>	<u><u>\$1,020,926</u></u>	<u><u>(52,770)</u></u>	<u><u>-5%</u></u>

**HOUSING AUTHORITY OF THE COUNTY OF ST. JOSEPH  
MISHAWAKA, INDIANA**

**STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS  
AS OF SEPTEMBER 30, 2013**

**ASSETS**

Cash - operating	\$	2,073
Cash - restricted		32,490
Related party receivable		32,075

Capital assets:

Capital assets, net of depreciation	\$	0
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Total Capital Assets	\$	0
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Total Assets	\$	64,565
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<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	\$	0
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<b>TOTAL</b>	\$	64,565
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**LIABILITIES**

Accounts payable	\$	0
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Total Liabilities	\$	0
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<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	\$	0
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**NET POSITION**

Net investment in capital assets	\$	0
Restricted		62,492
Unrestricted		2,073

Total Net Position	\$	64,565
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<b>TOTAL</b>	\$	64,565
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**HOUSING AUTHORITY OF THE COUNTY OF ST. JOSEPH  
MISHAWAKA, INDIANA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -  
PROPRIETARY FUNDS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013**

Operating Income

HUD operating grants	\$ 936,972
Other revenue	<u>7,847</u>
Total Operating Income	<u>\$ 944,819</u>

Operating Expenses

Administration	\$ 86,668
Housing assistance payments	888,460
Depreciation	<u>0</u>
Total Operating Expenses	<u>\$ 975,128</u>

Net Operating Income (Loss) \$ -30,309

Changes in net position	\$ -30,309
Net position, beginning of year	28,850
Prior period adjustments (Note 6)	<u>66,024</u>
Net position, end of year	<u><u>\$ 64,565</u></u>

**HOUSING AUTHORITY OF THE COUNTY OF ST. JOSEPH  
MISHAWAKA, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013**

Operating Activities

Operating grants	\$ 936,972
Housing assistance payments	-881,488
Payments to suppliers and contractors	<u>-95,783</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -40,299</u>

Investing Activities

Investments (purchased) redeemed	<u>\$ 0</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 0</u>

Capital and Related Financing Activities

Additions (deletions) to fixed assets	<u>\$ 0</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ 0</u>

Net Change in Cash	\$ -40,299
Cash Balance at September 30, 2012	<u>72,789</u>
Cash Balance at September 30, 2013	<u><u>\$ 32,490</u></u>

**HOUSING AUTHORITY OF THE COUNTY OF ST. JOSEPH  
MISHAWAKA, INDIANA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013**

Reconciliation of Operating Income (Loss) to Net Cash  
Provided (Used) by Operating Activities

Net operating income (loss)	\$ -30,309
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Adjustments to net position	69,672
(Increase) decrease in accounts receivable	-9,990
Increase (decrease) in deferred inflows	<u>-69,672</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ -40,299</u>

**HOUSING AUTHORITY OF THE COUNTY OF ST. JOSEPH  
MISHAWAKA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Housing Authority of the County of St. Joseph was established by the County of St. Joseph pursuant to the laws of the State of Indiana, to transact business and to have powers as defined therein. The Housing Authority was established to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other applicable Federal Agencies.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) had direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into a contract with the Authority for the purpose of assisting in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the program for the purpose of maintaining its low-rent character.

In evaluating the Authority as a reporting entity, management has addressed its relationship with the County of St. Joseph and concluded that the County does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the County, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the County government. Debt incurred by the Authority is not an obligation of the County; the County does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority.

The Authority is governed by a Board of Commissioners appointed by the County Board, and has governance responsibilities over all activities related to all housing activities within the County. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the County, i.e. they can only be removed for cause. The Authority's Board elects its own chairperson.

Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Housing Authority of the County of St. Joseph is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

(b) Method of Accounting -

The financial statements of the Housing Authority have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

The Housing Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements, in which case, GASB prevails.

**HOUSING AUTHORITY OF THE COUNTY OF ST. JOSEPH  
MISHAWAKA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) Financial Statement Presentation

Although a formal policy has not been adopted, in financial statement preparation the Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are HUD grants. Operating expenses include administration, housing assistance payments and other general expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

(d) Funds -

Each of the programs of the Housing Authority are organized on a basis of fund accounting, using a separate set of self balancing accounts as prescribed by HUD. The programs of the Housing Authority are:

- \* Housing Choice Vouchers

These programs are all accounted for within the 'Proprietary' (enterprise) fund as described below:

*Proprietary Fund Types:*

Proprietary funds use the economic resources measurement focus and utilize the accrual basis of accounting. All assets and liabilities associated with a proprietary fund's activities are included on the fund statement. Proprietary fund equity is segregated into Net Investment in Capital Assets, Restricted and Unrestricted.

(e) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the practice of the Housing Authority is to consider all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of one (1) month or less when purchased to be cash equivalents.

(f) Net Position -

GASB Statement 63 requires the classification of net position into three components as defined below:

- 1) Net investment in capital assets - capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt and deferred inflows of resources related to the acquisition, construction or improvement of those assets.
- 2) Restricted - restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- 3) Unrestricted - amounts not required to be reported in the other components of net position.

**HOUSING AUTHORITY OF THE COUNTY OF ST. JOSEPH  
MISHAWAKA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Income Tax -

The Authority, organized as a non-profit corporation subsidized by the Federal government, is exempt from Federal and State income taxes.

(h) Annual Contributions/Subsidies and Other Grants

Annual contributions and subsidies received from the Department of HUD are recorded as grant revenues.

Other grants are recognized when program expenditures are incurred. Such revenue is subject to review by the Department of Housing and Urban Development and may result in disallowance in subsequent periods.

(i) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash

Statutes authorize the Housing Authority to invest in certificates of deposit, money market funds, United States government securities and repurchase agreements fully collateralized by United States government securities.

All cash and investments are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) or other equivalent insurance company of the depository financial institutions. The deposits exceeding the insured or registered limits are public funds covered by the State of Indiana Public Deposit Fund.

*Custodial Credit Risk*

- a. Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned or that the Authority will not be able to recover collateral securities in the possession of an outside party.
- b. Investments - Custodial credit risk is the risk that in the event of the failure of the depository, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party.

**HOUSING AUTHORITY OF THE COUNTY OF ST. JOSEPH  
MISHAWAKA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013  
(CONTINUED)**

Note 2 - Cash (Continued)

*Credit Risk Investments, Concentration of Credit Risk and Interest Rate Risks - Investments*

*Credit Risk* is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Housing Authority has no investment policy that limits its investment choices other than the limitation of state law and/or the Department of Urban Development regulations.

*Concentrations of Credit Risk* is the risk of loss attributed to the amount of the investment in a single issuer. The Authority does not have a formal investment policy covering the concentration of credit risk.

*Investment Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. The Housing Authority has no formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 - Deposits which are insured or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Authority's name.

Category 3 - Deposits which are not collateralized or insured.

Based on the three levels of risk, all of the Housing Authority's funds are classified as Category 1.

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Voucher	<u>\$ 32,490</u>	<u>\$ 42,399</u>

**HOUSING AUTHORITY OF THE COUNTY OF ST. JOSEPH  
MISHAWAKA, INDIANA**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED SEPTEMBER 30, 2013  
(CONTINUED)**

Note 3 - Administrative Fee

The PHA receives an "Administrative Fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the HAP Program. The fee is calculated by HUD on a quarterly/annual basis.

Note 4 - Related Party

The Housing Authority subcontracts with Housing Assistance Office, Inc. (HAO) to administer the housing choice vouchers. The Executive Director of HAO acts as the Director of the Housing Authority appointed by the St. Joseph County Housing Authority Board of Commissioners. The Housing Authority does not have any employees and uses HAO employees for all administrative functions under its contracts. HAO receives up to 98% of the administrative revenue earned by the Housing Authority.

Note 5 - Contingencies

Federal Grants

In the normal course of operations, the Housing Authority receives grant funds from the Department of Housing and Urban Development. The programs are subject to audit by agents of HUD, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Note 6 - Prior Period Adjustments

Prior period adjustments posted directly to net position are detailed below:

Adjustment of accounts receivable	\$ -3,648
Adjustment of amounts due to HUD	<u>69,672</u>
	<u>\$ 66,024</u>

Note 7 - Economic Dependency

The Housing Authority received most of its revenue (99 %) from the United States Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

## **SUPPLEMENTAL DATA**

**HOUSING AUTHORITY OF THE COUNTY OF ST. JOSEPH  
MISHAWAKA, INDIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2013**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of HUD</u>						
Direct Programs:						
Housing Choice Voucher Program*	14.871	C-2087	FYE 09/30/13	<u>\$ 936,972</u>	<u>\$ 936,972</u>	<u>\$ 936,972</u>

\*Denotes major program.



**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***

Board of Commissioners  
Housing Authority of the County of St. Joseph  
Mishawaka, Indiana

I 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 Housing Authority of the County of St. Joseph, which comprise the statement of net position as of September 30, 2013, and the related statements of changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Housing Authority of the County of St. Joseph's basic financial statements and have issued my report thereon dated June 11, 2014.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Housing Authority of the County of St. Joseph's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the County of St. Joseph's internal control. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the County of St. Joseph's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies and therefore, *material weaknesses* or *significant deficiencies* may exist that were not identified. However, as described below in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control that I consider to be material weaknesses.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Housing Authority of the County of St. Joseph'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. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2013-001, 2013-002, 2013-003, 2013-004 and 2013-005 to be *material weaknesses*.

### **Compliance and Other Matters**

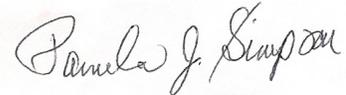
As part of obtaining reasonable assurance about whether the Housing Authority of the County of St. Joseph's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to the management of the Housing Authority of the County of St. Joseph in a separate letter dated June 11, 2014.

The Housing Authority of the County of St. Joseph's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit the Housing Authority of the County of St. Joseph's responses and, accordingly, I express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control over financial reporting and on compliance and other matters, and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the County of St. Joseph's internal control over financial reporting or on compliance and other matters. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the County of St. Joseph's internal control and compliance and other matters. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountant

Decatur, Illinois  
June 11, 2014



**Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Board of Commissioners  
Housing Authority of the County of St. Joseph  
Mishawaka, Indiana

**Report on Compliance for Each Major Program**

I have audited the Housing Authority of the County of St. Joseph'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 the Housing Authority of the County of St. Joseph's major federal programs for the year ended September 30, 2013. The Housing Authority of the County of St. Joseph'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**

My responsibility is to express an opinion on compliance for each of the Housing Authority of the County of St. Joseph's major federal programs based on my audit of the types of compliance requirements referred to above.

I conducted my 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 (OMB Circular A-133)*. Those standards and *OMB Circular A-133* require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the County of St. Joseph's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major program. However, my audit does not provide a legal determination of the Housing Authority of the County of St. Joseph's compliance.

**Basis for Qualified Opinion**

As described as findings 2013-001, 2013-002, 2013-003, 2013-004 and 2013-005 in the accompanying schedule of findings and questioned costs, the Housing Authority of the County of St. Joseph did not comply with the requirement of the reporting and procurement requirements related to its major federal program. Compliance with such requirements is necessary in my opinion, for the Housing Authority of the County of St. Joseph to comply with requirements applicable to that program.

## Qualified Opinion

In my opinion, except for the noncompliance as discussed in the Basis for Qualified Opinion paragraph, the Housing Authority of the County of St. Joseph complied, in all material respects, with the compliance requirements referred to above that are applicable to its major federal program identified above for the year ended September 30, 2013.

## Other Matters

The results of my auditing procedures also disclosed immaterial instances of noncompliance with the requirements referred to above that are required to be communicated to management in accordance with *OMB Circular A-133*, which have been communicated in a separate letter dated June 11, 2014. My opinion is not modified with respect to this matter.

## Report on Internal Control Over Compliance

Management of the Housing Authority of the County of St. Joseph is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Housing Authority of the County of St. Joseph'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 my 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, I do not express an opinion on the effectiveness of the Housing Authority of the County of St. Joseph's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or *significant deficiencies* and therefore, *material weaknesses* or *significant deficiencies* may exist that were not identified. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be material weaknesses.

*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 requirements 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 correct, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 the attention by those charged with governance. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-001, 2013-002, 2013-004, and 2013-005 to be material weaknesses.

The Housing Authority of the County of St. Joseph's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit the Housing Authority of the County of St. Joseph's responses and, accordingly, I express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of my testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountant

Decatur, Illinois  
June 11, 2014

**HOUSING AUTHORITY OF THE COUNTY OF ST. JOSEPH  
MISHAWAKA, INDIANA**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended September 30, 2012 contained four findings. The status of these findings is summarized below:

**Finding #2012-1: Failure to submit financial information via FASS-PH**

This finding continues, see Finding #2013-001.

**Finding #2012-2: Failure to submit Net Restricted Asset and Unrestricted Asset balance in HUD via VMS**

This finding continues, see Finding #2013-002.

**Finding #2012-3: Inaccurate information reported to HUD via VMS**

This finding continues, see Findings #2013-003.

**Finding #2012-4: Inaccurate information reported to HUD via VMS**

This finding continues, see Finding #2013-004.

**HOUSING AUTHORITY OF THE COUNTY OF ST. JOSEPH  
MISHAWAKA, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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

*Financial Statements*

Type of auditor's report:	Unqualified		
* Material weakness(es) identified?	_____	yes	<u>  X  </u> no
* Significant deficiency (ies) identified?	_____	yes	<u>  X  </u> none reported
Noncompliance material to financial statements noted?	_____	yes	<u>  X  </u> no

*Federal Awards*

Internal control over major programs:			
* Material weakness(es) identified?	<u>  X  </u>	yes	_____ no
* Significant deficiency (ies) identified?	<u>  X  </u>	yes	_____ none reported

Type of auditor's report issued on compliance for major programs:	Qualified		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<u>  X  </u>	yes	_____ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing Choice Voucher Program

Dollar threshold used to distinguish between type A and type B programs:	<u>  \$ 300,000  </u>
Auditee qualified as low-risk auditee?	_____ yes <u>  X  </u> no

**HOUSING AUTHORITY OF THE COUNTY OF ST. JOSEPH  
MISHAWAKA, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
CURRENT FINDINGS AND RECOMMENDATIONS**

**Section II - Financial Statement Findings**

There were no financial statement audit findings discussed with management, during the course of the audit or at an exit conference held June 11, 2014.

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

The following federal awards audit findings and questioned costs were discussed with management, during the course of the audit or at an exit conference held June 11, 2014.

**Finding #2013-001: Failure to submit financial information via FASS-PH**

*Criteria:* Management is responsible for compliance with the applicable requirements for each major program and specifically for compliance with federal regulations under Title 24 - Housing and Urban Development.

*Condition:* The OMB Circular A-133 Compliance Supplement requires that auditors test the applicable compliance requirements on each major federal program. During the audit of the Section 8 Housing Choice Vouchers Program non-compliance with a financial reporting requirement was noted. Specifically, the PHA is required to submit timely GAAP-based unaudited and audited financial information electronically to the Department of Housing And Urban Development (HUD) through FASS-PH. The FASS-PH system is one of HUD's main monitoring and oversight systems for the Housing Choice Voucher Program. The Organization had not filed the required unaudited and audited financial information via FASS-PH for at least the past six years.

*Questioned Costs:* Not applicable.

*Cause:* After being made aware of this requirement in the prior years, the Accounting Manager attempted to make online submissions of the required information but experience difficulty with the entry screens and deciphering the data field requests to be certain the financial information was reported properly. The Accounting Manager is still in the process of working with HUD to submit the required information.

*Effect:* HUD is not provided with accurate information for the PHA which is used to make funding decisions.

*Recommendation:* I recommend that the Accounting Manager follow up with the HUD contact, the consultant, and the prior auditor who can assist with the correct data submission.

*Management's response:* Management has acknowledged that the reports were not submitted at the end of FY 2012-2013. Management obtained the services of the Affordable Housing Association of Certified Public Accountants (AHACPA) to assist them in calculating the correct financial data to be uploaded into the FASS-PH system. The financial information via FASS-PH will be submitted by June 30, 2014.

**HOUSING AUTHORITY OF THE COUNTY OF ST. JOSEPH  
MISHAWAKA, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
CURRENT FINDINGS AND RECOMMENDATIONS**

**Section III - Federal Award Findings and Questioned Costs (Continued)**

**Finding #2013-002: Failure to submit Net Restricted Assets (NRA) and Unrestricted Net Assets (UNA) balances to HUD via VMS, as well as, errors in months NRA and UNA balances were submitted**

*Criteria:* Management is responsible for compliance with the applicable requirements for each major program and specifically for compliance with federal regulations under Title 24 - Housing and Urban Development.

*Condition:* The OMB Circular A-133 Compliance Supplement requires that auditors test the applicable compliance requirements on each major federal program. During the audit of the Section 8 Housing Choice Vouchers Program, non-compliance with a financial reporting requirement was noted. Specifically, the PHA is required to submit its Restricted Net Assets (NRA - HAP equity) and Unrestricted Net Assets (UNA - Administrative Fee equity) balances to HUD monthly via VMS. The Housing Authority did not submit its NRA and UNA balances to HUD via VMS for October and November 2011. I also noted that while the Housing Authority has been submitting these balances monthly since that time, there appear to be errors in the calculation of prior balances.

*Questioned costs:* Not applicable

*Cause:* The prior contracted accountant ended his relationship with the Housing Authority in mid September 2011. The current Accounting Manager was not hired until February 2012. For the interim months, it was difficult to report timely information.

*Effect:* HUD is not provided with accurate information for the PHA which is used to make funding decisions.

*Recommendation:* I recommend that the current Accounting Manager review the code of federal regulations 24 CFR section 982.158 and 24 CFR part 5, subpart H. I recommend that the Accounting Manager bring the VMS reporting up-to-date with correct information as soon as possible.

*Management's response:* Management has acknowledged that the VMS reports were not submitted correctly at the end of FY 2012-2013. Management obtained the services of the Affordable Housing Association of Certified Public Accountants (AHACPA) to assist them in calculating the correct NRA and UNA balances. In addition, both AHACPA and HUD will consult with the PHA in June 2014 to ensure the adjusted balances are correct. The NRA and UNA balances will be corrected and uploaded into the VMS system by June 30, 2014.

**HOUSING AUTHORITY OF THE COUNTY OF ST. JOSEPH  
MISHAWAKA, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
CURRENT FINDINGS AND RECOMMENDATIONS**

**Section III - Federal Award Findings and Questioned Costs** (Continued)

**Finding #2013-003: Inaccurate information reported to HUD via VMS**

*Criteria:* Management is responsible for compliance with the applicable requirements for each major program and specifically for compliance with federal regulations under Title 24 - Housing and Urban Development.

*Condition:* The Housing Authority incorrectly reported fields in its monthly VMS submission including portable vouchers paid, portable voucher HAP, all other vouchers, HAP all other vouchers, all voucher HAP expenses after first of month, total vouchers, HAP total and vouchers under lease on the last day of month as a result of using the wrong source document for data submission.

*Questioned costs:* Not applicable

*Cause:* The Accounting Manager used the VMS Report by Check Date instead of the correct report which is the VMS Report by VMS Date.

*Effect:* HUD is not provided with accurate information for the PHA which is used to make funding decisions.

*Recommendation:* I recommend that the Accounting Manager adjust VMS reporting as necessary as soon as possible.

*Management's response:* Management has acknowledged that the VMS reports were not submitted correctly at the end of FY 2012-2013. Management obtained the services of the Affordable Housing Association of Certified Public Accountants (AHACPA) to assist them in calculating the correct NRA and UNA balances. Both the AHACPA and HUD will consult with the PHA in June 2014 to ensure the adjusted monthly data balances are correct.

**HOUSING AUTHORITY OF THE COUNTY OF ST. JOSEPH  
MISHAWAKA, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
CURRENT FINDINGS AND RECOMMENDATIONS**

**Section III - Federal Award Findings and Questioned Costs** (Continued)

**Finding #2013-004: Inaccurate information reported to HUD via VMS**

*Criteria:* Management is responsible for compliance with the applicable requirements for each major program and specifically for compliance with federal regulations under Title 24 - Housing and Urban Development.

*Condition:* The Housing Authority transferred HAP funds to HAO, the managing entity in excess of the amounts earned based on actual HAP expenditures and established fee rates.

*Questioned costs:* Not applicable

*Cause:* The Accounting Manager transferred amounts to HAO in excess of the sub-recipient's actual HAP expenses for the month.

*Effect:* The Housing Authority has not retained its restricted cash balances as required by HUD.

*Recommendation:* I recommend the Accounting Manager review the code of federal regulations 24 CFR and that the PHA recapture the amounts transferred to HAO in excess of what was actually earned and due for HAP.

*Management's response:* Management has acknowledged that incorrect rates were used in the calculation of administrative fees and monthly transfers to the contract administrator for HAP expenditures for a given month. Management states a portion of the funds were paid back, and the remainder will be paid back by the end of FY 2014.

**HOUSING AUTHORITY OF THE COUNTY OF ST. JOSEPH  
MISHAWAKA, INDIANA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
CURRENT FINDINGS AND RECOMMENDATIONS**

**Section III - Federal Award Findings and Questioned Costs** (Continued)

**Finding #2013-005: Procurement guidelines not followed**

*Criteria:* Agencies receiving federal funds must follow federal procurement guidelines (as detailed in 24 CFR 84). Those standards for procurement are intended to ensure that supplies, equipment and services are acquired as efficiently and economically as possible in a manner that provides practical, open and free competition.

*Condition:* The Housing Authority has not formally adopted its own formal procurement policy, but it does, however, adhere to the policies adopted by its management agent - HAO. The guidelines that are being followed allow "small purchases" to be solicited through oral or written rate quotations from qualified sources. If oral solicitations are obtained, they must be fully documented. The contract for management services procured by the Housing Authority is documented only by a contract obtained in 1984 and does not specify an end date to the contract.

*Questioned costs:* Not applicable

*Cause:* The Board of Commissioners of the Housing Authority were not aware that the fees for management services must be periodically solicited in order to comply with federal guidelines.

*Effect:* The Housing Authority cannot ensure that the management services currently purchased are the most efficient and economic that may be obtained.

*Recommendation:* I recommend the Commissioners adopt their own set of Procurement Guidelines and solicit the cost of services required from qualified providers in order to ensure that the services procured are efficient and economic.

*Management's response:* The Commissioners acknowledge that quotes for these services have not been solicited since entering into the original management contract. The federal procurement guidelines will be reviewed and a formal Procurement Policy will be adopted. The Board will also develop guidelines for the solicitation for management services. The new policy and guidelines will be developed prior to the end of the calendar year.

**HOUSING AUTHORITY OF THE COUNTY OF ST. JOSEPH  
MISHAWAKA, INDIANA**

**SCHEDULE OF ADJUSTING JOURNAL ENTRIES  
SEPTEMBER 30, 2013**

<u>Voucher</u>	<u>Audit Account Number</u>	<u>Debit</u>	<u>Credit</u>	<u>Posting Account Number</u>
(1)				
(Due to HUD) prepaid HAP	230	\$ 65,595.00		
Prepaid admin	237	4,077.00		
Equity	292		\$ 69,672.00	
(To reverse liabilities set up 09/30/11 and 09/30/12 - no amounts prepaid per HUD revenue recognition guidelines)				
(2)				
Equity	292	\$ 4,666.00		
Due to HAO	201		\$ 4,666.00	
(To adjust payable to HUD for management fees calculated on incorrect admin subsidy for FYE 2011)				
(3)				
Due to HAO	201	\$ 1,017.98		
Equity	292		\$ 1,017.98	
(To adjust payable to HAO for management fees calculated on incorrect admin subsidy for FYE 2012)				
(4)				
Admin subsidy	304	\$ 3,555.00		
Prepaid admin - due to HUD	231		\$ 3,555.00	
(To adjust current year subsidy to actual)				

Housing Authority of the County of St. Joseph (IN100)  
Mishawaka, IN  
**Entity Wide Balance Sheet Summary**

Submission Type: Audited/A-133 Fiscal Year End: 09/30/2013

	14.871 Housing Choice Vouchers	Subtotal	Total
111 Cash - Unrestricted			
112 Cash - Restricted - Modernization and Development			
113 Cash - Other Restricted	\$32,490	\$32,490	\$32,490
114 Cash - Tenant Security Deposits			
115 Cash - Restricted for Payment of Current Liabilities			
100 Total Cash	\$32,490	\$32,490	\$32,490
121 Accounts Receivable - PHA Projects			
122 Accounts Receivable - HUD Other Projects			
124 Accounts Receivable - Other Government			
125 Accounts Receivable - Miscellaneous	\$32,075	\$32,075	\$32,075
126 Accounts Receivable - Tenants			
126.1 Allowance for Doubtful Accounts - Tenants			
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current			
128 Fraud Recovery			
128.1 Allowance for Doubtful Accounts - Fraud			
129 Accrued Interest Receivable			
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$32,075	\$32,075	\$32,075
131 Investments - Unrestricted			
132 Investments - Restricted			
135 Investments - Restricted for Payment of Current Liability			
142 Prepaid Expenses and Other Assets			
143 Inventories			
143.1 Allowance for Obsolete Inventories			
144 Inter Program Due From			
145 Assets Held for Sale			
150 Total Current Assets	\$64,565	\$64,565	\$64,565
161 Land			
162 Buildings			
163 Furniture, Equipment & Machinery - Dwellings			
164 Furniture, Equipment & Machinery - Administration			
165 Leasehold Improvements			
166 Accumulated Depreciation			
167 Construction in Progress			
168 Infrastructure			
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$0
171 Notes, Loans and Mortgages Receivable - Non-Current			
172 Notes, Loans, & Mortgages Receivable - Non Current - Past			
173 Grants Receivable - Non Current			
174 Other Assets			
176 Investments in Joint Ventures			
180 Total Non-Current Assets	\$0	\$0	\$0
190 Total Assets	\$64,565	\$64,565	\$64,565

Housing Authority of the County of St. Joseph (IN100)  
Mishawaka, IN  
**Entity Wide Balance Sheet Summary**

Submission Type: Audited/A-133 Fiscal Year End: 09/30/2013

	14.871 Housing Choice Vouchers	Subtotal	Total
311 Bank Overdraft			
312 Accounts Payable <= 90 Days			
313 Accounts Payable >90 Days Past Due			
321 Accrued Wage/Payroll Taxes Payable			
322 Accrued Compensated Absences - Current Portion			
324 Accrued Contingency Liability			
325 Accrued Interest Payable			
331 Accounts Payable - HUD PHA Programs			
332 Account Payable - PHA Projects			
333 Accounts Payable - Other Government			
341 Tenant Security Deposits			
342 Deferred Revenues			
343 Current Portion of Long-term Debt - Capital			
344 Current Portion of Long-term Debt - Operating Borrowings			
345 Other Current Liabilities			
346 Accrued Liabilities - Other			
347 Inter Program - Due To			
348 Loan Liability - Current			
310 Total Current Liabilities	\$0	\$0	\$0
351 Long-term Debt, Net of Current - Capital Projects/Mortgage			
352 Long-term Debt, Net of Current - Operating Borrowings			
353 Non-current Liabilities - Other			
354 Accrued Compensated Absences - Non Current			
355 Loan Liability - Non Current			
356 FASB 5 Liabilities			
357 Accrued Pension and OPEB Liabilities			
350 Total Non-Current Liabilities	\$0	\$0	\$0
300 Total Liabilities	\$0	\$0	\$0
508.1 Invested In Capital Assets, Net of Related Debt			
511.1 Restricted Net Assets	\$55,520	\$55,520	\$55,520
512.1 Unrestricted Net Assets	\$9,045	\$9,045	\$9,045
513 Total Equity/Net Assets	\$64,565	\$64,565	\$64,565
600 Total Liabilities and Equity/Net Assets	\$64,565	\$64,565	\$64,565

Housing Authority of the County of St. Joseph (IN100)  
Mishawaka, IN  
**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133 Fiscal Year End: 09/30/2013

	14.871 Housing Choice Vouchers	Subtotal	Total
70300 Net Tenant Rental Revenue			
70400 Tenant Revenue - Other			
70500 Total Tenant Revenue	\$0	\$0	\$0
70600 HUD PHA Operating Grants	\$936,972	\$936,972	\$936,972
70610 Capital Grants			
70710 Management Fee			
70720 Asset Management Fee			
70730 Book Keeping Fee			
70740 Front Line Service Fee			
70750 Other Fees			
70700 Total Fee Revenue			
70800 Other Government Grants			
71100 Investment Income - Unrestricted			
71200 Mortgage Interest Income			
71300 Proceeds from Disposition of Assets Held for Sale			
71310 Cost of Sale of Assets			
71400 Fraud Recovery			
71500 Other Revenue	\$7,847	\$7,847	\$7,847
71600 Gain or Loss on Sale of Capital Assets			
72000 Investment Income - Restricted			
70000 Total Revenue	\$944,819	\$944,819	\$944,819
91100 Administrative Salaries			
91200 Auditing Fees	\$10,000	\$10,000	\$10,000
91300 Management Fee	\$68,576	\$68,576	\$68,576
91310 Book-keeping Fee			
91400 Advertising and Marketing			
91500 Employee Benefit contributions - Administrative			
91600 Office Expenses	\$8,092	\$8,092	\$8,092
91700 Legal Expense			
91800 Travel			
91810 Allocated Overhead			
91900 Other			
91000 Total Operating - Administrative	\$86,668	\$86,668	\$86,668
92000 Asset Management Fee			
92100 Tenant Services - Salaries			
92200 Relocation Costs			
92300 Employee Benefit Contributions - Tenant Services			
92400 Tenant Services - Other			
92500 Total Tenant Services	\$0	\$0	\$0

Housing Authority of the County of St. Joseph (IN100)  
Mishawaka, IN  
**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133 Fiscal Year End: 09/30/2013

	14.871 Housing Choice Vouchers	Subtotal	Total
93100 Water			
93200 Electricity			
93300 Gas			
93400 Fuel			
93500 Labor			
93600 Sewer			
93700 Employee Benefit Contributions - Utilities			
93800 Other Utilities Expense			
93000 Total Utilities	\$0	\$0	\$0
94100 Ordinary Maintenance and Operations - Labor			
94200 Ordinary Maintenance and Operations - Materials and			
94300 Ordinary Maintenance and Operations Contracts			
94500 Employee Benefit Contributions - Ordinary Maintenance			
94000 Total Maintenance	\$0	\$0	\$0
95100 Protective Services - Labor			
95200 Protective Services - Other Contract Costs			
95300 Protective Services - Other			
95500 Employee Benefit Contributions - Protective Services			
95000 Total Protective Services	\$0	\$0	\$0
96110 Property Insurance			
96120 Liability Insurance			
96130 Workmen's Compensation			
96140 All Other Insurance			
96100 Total insurance Premiums	\$0	\$0	\$0
96200 Other General Expenses			
96210 Compensated Absences			
96300 Payments in Lieu of Taxes			
96400 Bad debt - Tenant Rents			
96500 Bad debt - Mortgages			
96600 Bad debt - Other			
96800 Severance Expense			
96000 Total Other General Expenses	\$0	\$0	\$0
96710 Interest of Mortgage (or Bonds) Payable			
96720 Interest on Notes Payable (Short and Long Term)			
96730 Amortization of Bond Issue Costs			
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0
96900 Total Operating Expenses	\$86,668	\$86,668	\$86,668
97000 Excess of Operating Revenue over Operating Expenses	\$858,151	\$858,151	\$858,151

Housing Authority of the County of St. Joseph (IN100)  
Mishawaka, IN  
**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/A-133 Fiscal Year End: 09/30/2013

	14.871 Housing Choice Vouchers	Subtotal	Total
97100 Extraordinary Maintenance			
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments	\$881,488	\$881,488	\$881,488
97350 HAP Portability-In	\$6,972	\$6,972	\$6,972
97400 Depreciation Expense			
97500 Fraud Losses			
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense			
90000 Total Expenses	\$975,128	\$975,128	\$975,128
10010 Operating Transfer In			
10020 Operating transfer Out			
10030 Operating Transfers from/to Primary Government			
10040 Operating Transfers from/to Component Unit			
10050 Proceeds from Notes, Loans and Bonds			
10060 Proceeds from Property Sales			
10070 Extraordinary Items, Net Gain/Loss			
10080 Special Items (Net Gain/Loss)			
10091 Inter Project Excess Cash Transfer In			
10092 Inter Project Excess Cash Transfer Out			
10093 Transfers between Program and Project - In			
10094 Transfers between Project and Program - Out			
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$30,309	-\$30,309	-\$30,309
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0
11030 Beginning Equity	\$98,522	\$98,522	\$98,522
11040 Prior Period Adjustments, Equity Transfers and Correction	-\$3,648	-\$3,648	-\$3,648
11050 Changes in Compensated Absence Balance			
11060 Changes in Contingent Liability Balance			
11070 Changes in Unrecognized Pension Transition Liability			
11080 Changes in Special Term/Severance Benefits Liability			
11090 Changes in Allowance for Doubtful Accounts - Dwelling			
11100 Changes in Allowance for Doubtful Accounts - Other			
11170 Administrative Fee Equity	\$2,073	\$2,073	\$2,073
11180 Housing Assistance Payments Equity	\$62,492	\$62,492	\$62,492
11190 Unit Months Available	2688	2688	2688
11210 Number of Unit Months Leased	2109	2109	2109
11270 Excess Cash			
11610 Land Purchases			
11620 Building Purchases			
11630 Furniture & Equipment - Dwelling Purchases			
11640 Furniture & Equipment - Administrative Purchases			
11650 Leasehold Improvements Purchases			
11660 Infrastructure Purchases			
13510 CFFP Debt Service Payments			
13901 Replacement Housing Factor Funds			



Board of Commissioners  
Housing Authority of the County of St. Joseph  
Mishawaka, Indiana

In planning and performing my audit of the financial statements of Housing Authority of the County of St. Joseph as of and for the year ended September 30, 2013, in accordance with auditing standards generally accepted in the United States of America, I considered the Housing Authority's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the County of St. Joseph's internal control. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the County of St. Joseph's internal control.

The administration of the Housing Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. However, my study and evaluation disclosed certain conditions in the following areas of which you should be aware in order to improve operating efficiencies and strengthen internal controls:

1. HUD regulations require the Housing Authority to obtain a fully executed form HUD 51999 for all financial institutions holding HUD funds.. During my review of current depositories, I noted that the housing authority did not have a current executed form. I recommend that the Authority execute a depository agreement with all financial institutions and for any that have undergone ownership or name changes.
2. Per HUD requirements all bank accounts holding HUD funds must be interest bearing. However, it was noted that current bank used by the Housing Authority is not paying interest on the HCV checking account on deposit there. The bank should be contacted and terms of the account revised.

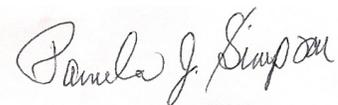
3. The Housing Authority's system of internal controls should be formally documented in a written internal control manual (handbook). Discussions with Housing Authority management indicate that the Housing Authority has adhered to the system of internal control developed by the management agent, HAO, but they have not adopted their own.

The written policies should also cover the extent that outside consultants are used to enhance internal controls. The policies should include the detail level of responsibility the Management agent or other consultant is assuming in the preparation and review of the year end financial statements as compared to the level of responsibility the Housing Authority is maintaining. The written procedures should indicate who will prepare and maintain copies of year end schedules, journal entries and reconciliations. However, the Housing Authority should keep in mind that you have the ultimate responsibility for preparation of accurate and complete financial statements.

In addition to the current informal policies being used, other policies you may want to consider would address: (a) approval of journal entries (hard copies should be initialed) (b) documentation of approval of payroll (payroll registers should be initialed) (c) the frequency and method to approve the write off of old outstanding checks. The written policies should also cover the extent of use of outside consultants (fee accountants) are used to provide internal controls.

4. The By-Law of the Housing Authority indicates that the Board of Commissioners will meet no less than quarterly. During the past fiscal year, it was noted that the Board did not meet for several periods. The Board's responsibilities include the oversight and approval of all business transacted. If meetings are not being held on a regular basis, the Board is not fulfilling that responsibility.
5. During each month, the Housing Authority transfers cash to the HAO for payment of HAP, vendor bills and the management fee. The transfers may be more or less than the actual cash needs of HAO for the payment of the Housing Authority's cash requirements resulting in a related party due to or due from at any given time. The resulting due to/from balances are not being reconciled and required several year end adjustments to "balance" the accounts. These accounts must be reconciled on a regular, periodic basis (preferably monthly) in order to have an accurate accounting of all Housing Authority funds and financial position.
6. While performing the compliance procedures on Section 8 participant files, I noted that written comparabilities were not located in all files. The comparability must be documented 1) for a new lease up, 2) for a participant's change of unit and 3) when a landlord requests a rent increase. The Housing Authority provided the data used in the comparabilities, but they were not fully documented and retained in the files.

This communication is intended solely for the information and use of management, the Board of Commissioners, and others within the housing authority, and is not intended to be and should not be used by anyone other than these specified parties. Please feel free to contact me if you have any questions.



Decatur, Illinois  
June 11, 2014

Certified Public Accountant