



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND  
OMB CIRCULAR A-133 AUDITORS' REPORTS**

**December 31, 2010**

# INDIANA HOUSING & COMMUNITY DEVELOPMENT AUTHORITY

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*Independent Auditors' 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*

*Year Ended December 31, 2010*

Board of Directors  
Indiana Housing and Community Development Authority

We have audited the financial statements of the major funds and business-type activities of Indiana Housing and Community Development Authority (the "Authority"), a component unit of the State of Indiana, as of and for the year ended December 31, 2010, and have issued our report thereon dated April 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Authority in a separate letter dated April 28, 2011.

This report is intended solely for the information and use of the Authority's management, the board of directors and audit committee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
April 28, 2011

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2010**

<u>Federal Grantor</u>	<u>CFDA Number</u>	<u>Amount Passed- Through to Subrecipients</u>	<u>Authority's Expenditures</u>	<u>Total Federal Expenditures</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>				
Community Development Block Grant	14.228	\$ 39,057,410	\$ 420,364	\$ 39,477,774
Section 8 - Project Based Contract Administration (a)	14.195	159,879,507	7,441,248	167,320,755
HOME Investment Partnership Program (b)	14.239	16,862,286	528,805	17,391,091
Housing Opportunities for Persons with AIDS	14.241	836,221	28,176	864,397
Section 8 - Housing Choice Voucher Program	14.871	22,879,154	546,157	23,425,311
Emergency Shelter Grant	14.231	1,958,110	77,883	2,035,993
Shelter Plus Care	14.238	1,995,395		1,995,395
ARRA - Tax Credit Assistance Program*	14.258	27,117,275		27,117,275
Supportive Housing Program	14.235		63,013	63,013
ARRA - Homelessness Prevention and Rapid Re-housing Program*	14.257	7,870,730	198,380	8,069,110
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT &amp; FEDERAL EMERGENCY MANAGEMENT AGENCY</b>				
Disaster Housing Assistance Program	97.109		1,402	1,402
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>				
Community Services Block Grant (c)	93.569	9,929,327	681,929	10,611,256
ARRA - Community Services Block Grant* (c)	93.710	14,177,622	64,163	14,241,785
Low-Income Home Energy Assistance	93.568	89,731,915	288,683	90,020,598
Assets for Independence Development Program	93.602	1,026,351		1,026,351
<b>U.S. DEPARTMENT OF ENERGY</b>				
ARRA - Weatherization Assistance for Low Income Persons <sup>d</sup>	81.042	59,346,310	308,152	59,654,462
Weatherization Assistance for Low Income Persons	81.042	5,514,821	187,488	5,702,309
<b>U.S. DEPARTMENT OF TREASURY</b>				
Indiana Foreclosure Prevention	21.000	1,430,987		1,430,987
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Rural Rental Housing Loans	10.415	490,042		490,042
Total Expenditures of Federal Awards		<u>\$ 460,103,463</u>	<u>\$ 10,835,843</u>	<u>\$ 470,939,306</u>

\* Grant relates to the American Recovery and Reinvestment Act of 2009

(a) The Authority's expenditures include \$159,879,507 of Housing Assistance Payments.

(b) The Authority's expenditures include \$4,959,265 of down payment assistance.

(c) Represents Federal Program Cluster

See accompanying notes to schedule of expenditures of federal awards.

# INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Indiana Housing and Community Development Authority (the Authority), a component unit of the State of Indiana, and is presented on the accrual basis of accounting. The amount passed-through to subrecipients represents the actual expenditures incurred by subrecipients and reimbursed by the Authority in 2010. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements

### NOTE 2 - PROGRAM INCOME AND RECAPTURED FUNDS

During 2010, the Authority generated program income and recaptured funds as follows:

HOME Investment Partnership Program	\$313,867
Community Development Block Grant	29,634
Community Services Block Grant	96,195
Low-Income Home Energy Assistance	123,474
Weatherization for Low Income Persons	13,499
ARRA – Weatherization for Low Income Persons	171,997

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

*Year Ended December 31, 2010*

Board of Directors  
Indiana Housing and Community Development Authority

## **Compliance**

We have audited Indiana Housing and Community Development Authority's (the Authority) compliance with the types of compliance requirements described in the Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2010. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Item 2010-02.

## **Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2010-01. 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.

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the business-type activities of the Authority, a component unit of the State of Indiana, as of and for the year ended December 31, 2010, and have issued our report thereon dated April 28, 2011. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, board of directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Katz, Saper & Miller, LLP*

Indianapolis, Indiana  
April 28, 2011

**INDIANA HOUSING AND COMMUNITY DEVELOPMENT AUTHORITY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2010**

**SECTION I – Summary of Auditors’ Results**

*Financial Statements*

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
• Noncompliance material to financial statements noted?	No

*Federal Awards*

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133:	Yes

The programs identified and tested as major programs were:

<b>CFDA Number</b>	<b>Agency</b>	<b>Title</b>
14.871	U.S. Department of Housing and Urban Development	Section 8- Housing Choice Voucher Program
81.042	U.S. Department of Energy	Weatherization Assistance for Low Income Persons
81.042	U.S. Department of Energy	ARRA – Weatherization Assistance for Low Income Persons

<b>CFDA Number</b>	<b>Agency</b>	<b>Title</b>
93.568	U.S. Department of Health and Human Services	Low-Income Home Energy Assistance Program
93.710	U.S. Department of Health and Human Services	ARRA – Community Services Block Grant Services
93.569	U.S. Department of Health and Human Services	Community Services Block Grant
14.258	U.S. Department of Housing and Urban Development	ARRA – Tax Credit Assistance Program
14.257	U.S. Department of Housing and Urban Development	ARRA – Homeless Prevention and Rapid Re-Housing Program

The dollar threshold used to distinguish between type A and type B programs was \$3 million.

Indiana Housing and Community Development Authority did not qualify as a low-risk auditee.

**SECTION II – Financial Statement Findings**

Findings related to the financial statements that are required to be reported in accordance with GAGAS:

None

### **SECTION III – Federal Award Findings and Questioned Costs**

Findings and questioned costs for federal awards including audit findings as defined in OMB Circular A-133 Section 510(a):

#### **U.S. Department of Housing and Urban Development**

##### **2010-01 Homelessness Prevention and Rapid Re-Housing Program – CFDA 14.257**

###### **Significant Deficiency in Internal Control over Compliance**

*Criteria:* OMB Circular A-133 requires pass-through entities to ensure that subrecipients expending \$500,000 or more in federal funds have met the OMB Circular A-133 audit requirements; issue a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; and ensure subrecipient takes timely and appropriate corrective action on all audit findings. In addition for ARRA-funded programs, pass-through entities must verify that ARRA awards were properly reported on the schedule of expenditures of federal awards and data collection form.

*Condition and Context:* Internal controls should be in place that provide reasonable assurance that requirements described above are met by the Authority. The Authority performed no procedures to ensure that subrecipients expending \$500,000 or more have met the OMB Circular A-133 audit requirements and did not obtain reporting packages from such subrecipients to perform related required procedures described above.

*Cause and Effect:* The internal controls over compliance in relationship to the requirements were not adequate to ensure the above requirements were met

*Recommendation:* The Authority should implement adequate internal controls to ensure above requirements are met in the future. The Authority should also perform procedures related to the requirements to address procedures that should have been performed during 2010.

*Management Response:* The recommended procedures will be implemented as described above.

## **SECTION III – Federal Award Findings and Questioned Costs (Continued)**

### **U.S. Department of Housing and Urban Development (Continued)**

#### **2010-02 Homelessness Prevention and Rapid Re-Housing Program – CFDA 14.257**

##### **Subrecipient Monitoring**

*Criteria:* OMB Circular A-133 requires pass-through entities to ensure that subrecipients expending \$500,000 or more have met the OMB Circular A-133 audit requirements; issue a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; and ensure subrecipient takes timely and appropriate corrective action on all audit findings. In addition for ARRA-funded programs, pass-through entities must verify that ARRA awards were properly reported on the schedule of expenditures of federal awards and data collection form.

*Condition and Context:* The Authority performed no procedures to ensure that subrecipients expending \$500,000 or more have met the OMB Circular A-133 audit requirements and did not obtain reporting packages from such subrecipients to perform related required procedures described above.

*Cause and Effect:* As noted above in Item 2010-01, the internal controls over compliance in relationship to the requirements were not adequate to ensure the above requirements were met

*Recommendation:* The Authority should implement adequate internal controls to ensure above requirements are met in the future. The Authority should also perform procedures related to the requirements to address procedures that should have been performed during 2010.

*Management Response:* The recommended procedures will be implemented as described above.

## **SECTION IV – Summary Schedule of Prior Audit Findings**

### **U.S. Department of Housing and Urban Development**

#### **09-01 Section 8 - Housing Choice Voucher Program – CFDA 14.871**

##### **Incomplete Documentation of Housing Quality Standards (HQS) Inspections and Delay in Conducting Inspections**

*Condition:* During the 2009 audit testing of HQS inspections, the auditors noted 3 instances where the HQS inspection reports were either incomplete or inaccurately completed. The 2009 audit testing also noted that the Authority failed to conduct 4 annual inspections in a timely manner.

*Recommendations:* The auditors recommended that management implement a system to track timely completion of HQS inspections. Tenant files should be reviewed to ensure all required documentation related to HQS inspections is properly completed.

*Current Status:* The Authority purchased the Inspection Module for Housing Pro, the HCVP software. This module serves two purposes: 1) the module is linked into inspector's Outlook calendar and automatically schedule inspections within the regulatory time frame; 2) the Inspection Module uses a hand held device to document inspection findings and automatically apply an electronic signature upon completion. The Authority also implemented quality control measures. Inspectors submit monthly reports and supervisors audit inspections on a quarterly basis to insure accurate completion of HQS documentation. The Authority continued to use third party inspectors to perform quality control of the accuracy of the actual HQS inspection. No similar findings were noted in the 2010 audit.

#### **09-02 Section 8 - Housing Choice Voucher Program – CFDA 14.871**

##### **Inadequate Reasonable Rent Documentation and Incomplete Tenant Files**

*Condition:* During the 2009 audit testing of rent reasonableness the auditors noted 1 instance where rent reasonableness documentation was not maintained in the tenant files and 1 instance where the rent reasonableness determination form was incomplete.

*Recommendations:* The auditors recommended that tenant files be reviewed to ensure reasonable rent documentation is properly completed and included in the tenant file.

*Current Status:* The Authority purchased the "GO 8" rent reasonableness software from Nan McKay. GO 8's rent reasonableness certification program is based on the use of real time market rent data. Uniform use of GO 8 has created a consistent, objective, market-based process for determining rent reasonableness, avoiding many of the common problems and shortcomings of the previous methodology used by program administrators. Nan McKay manages the software and works with the Authority to maintain the data base. The Authority also implemented quality control measures. Case managers submit monthly reports and supervisors audit files on a quarterly basis to ensure accurate completion of rent reasonableness documentation. No similar findings were noted in the 2010 audit.

**SECTION IV – Summary Schedule of Prior Audit Findings (Continued)**

**U.S. Department of Health and Human Services**

**09-03      Low-Income Home Energy Assistance Program – CFDA 93.568**

**Inadequate Subrecipient Monitoring Procedures Performed**

*Condition:* During the 2009 audit testing of subrecipient monitoring site inspections, the auditors noted that 5 out of 24 subrecipient agencies were not inspected during 2009.

*Recommendations:* The auditors recommended that management should implement a system that will allow the Authority to track subrecipient monitoring procedures to ensure that all subrecipients are monitored during the year.

*Current Status:* To ensure that all monitoring reviews are performed in a timely fashion, the Low-Income Home Energy Assistance Program (LIHEAP) administrative and monitoring team created an annual monitoring schedule at the start of the LIHEAP season to ensure that each agency has a review date. Each monitoring review is tracked on the LIHEAP tracking report. No similar findings were noted in the 2010 audit.