

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

ST. JOSEPH COUNTY HOUSING CONSORTIUM
ST. JOSEPH COUNTY, INDIANA

January 1, 2012 to December 31, 2013



FILED
07/11/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Fiscal Officer	Mark Neal John Murphy	01-01-12 to 01-02-14 01-03-14 to 12-31-14
Chairman of the Board	Donald F. Fozo	01-01-12 to 12-31-14
Program Administrator	Pamela C. Meyer	01-01-12 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE ST. JOSEPH COUNTY HOUSING
CONSORTIUM, ST. JOSEPH COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the St. Joseph County Housing Consortium (Consortium), which comprises the financial position and results of operations for the period of January 1, 2012 to December 31, 2013, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Consortium's preparation and fair presentation of the financial statement 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 Consortium's internal control. Accordingly, we 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 evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the Consortium prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Consortium for the period of January 1, 2012 to December 31, 2013.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Consortium for the period of January 1, 2012 to December 31, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 27, 2014, on our consideration of the Consortium's internal control over financial reporting and our 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 our 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Consortium's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Consortium's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. 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 statement. 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 statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the Consortium's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.


Paul D. Joyce, CPA
State Examiner

May 27, 2014



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE ST. JOSEPH COUNTY HOUSING
CONSORTIUM, ST. JOSEPH COUNTY, INDIANA

We have audited, 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, the financial statement of the St. Joseph County Housing Consortium (Consortium), which comprises the financial position and results of operations for the period of January 1, 2012 to December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated May 27, 2014, wherein we noted the Consortium followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Consortium's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of the Consortium's internal control.

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 entity's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

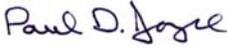
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Consortium's financial statement is 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*.

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

May 27, 2014

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the Consortium. The financial statement and notes are presented as intended by the Consortium.

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ST. JOSEPH COUNTY HOUSING CONSORTIUM
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2012 and 2013

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
General Fund	\$ 100,933	\$ 958,783	\$ 961,361	\$ 98,355	\$ 963,531	\$ 983,679	\$ 78,207

The notes to the financial statement are an integral part of this statement.

ST. JOSEPH COUNTY HOUSING CONSORTIUM
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Consortium was established under the laws of the State of Indiana. The Consortium operates under an appointed governing board.

The accompanying financial statement presents the financial information for the Consortium.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Intergovernmental receipts which include receipts from other governments in the form of operating grants and entitlements. Examples of this type of receipts include, but are not limited to: federal grants and state grants.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; transfers authorized by statute, ordinance, resolution, or court order; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

ST. JOSEPH COUNTY HOUSING CONSORTIUM
NOTES TO FINANCIAL STATEMENT
(Continued)

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Other disbursements which include, but are not limited to the following: transfers out that are authorized by statute, ordinance, resolution, contract, or court order.

F. Fund Accounting

A General fund is established, maintained, and reported by the Consortium. The fund is used to account for money received from and used for specific sources and uses. Restrictions on the fund are set by grant award contractual agreements. The money accounted for in the fund may only be available for use for certain, legally restricted purposes.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level as part of the grant application. The grant award letter will provide final approval of the budget.

Note 3. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Consortium to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 4. Risk Management

The Consortium has no capital assets, but may be exposed to various risks of loss related to torts, and errors and omissions.

The policy of the Consortium is not to purchase commercial insurance for the risks of loss related to torts, and errors and omissions. Instead, the Consortium records as an expenditure any loss as the liability is incurred.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Consortium's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the Consortium which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the Consortium. It is presented as intended by the Consortium.

ST. JOSEPH COUNTY HOUSING CONSORTIUM
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012

	General Fund
Cash and investments - beginning	\$ 100,933
Receipts:	
Intergovernmental	639,790
Other receipts	318,993
Total receipts	958,783
Disbursements:	
Other services and charges	45,735
Other disbursements	915,626
Total disbursements	961,361
Excess (deficiency) of receipts over disbursements	(2,578)
Cash and investments - ending	\$ 98,355

ST. JOSEPH COUNTY HOUSING CONSORTIUM
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	General Fund
Cash and investments - beginning	\$ 98,355
Receipts:	
Intergovernmental	621,238
Other receipts	342,293
Total receipts	963,531
Disbursements:	
Other services and charges	45,240
Other disbursements	938,439
Total disbursements	983,679
Excess (deficiency) of receipts over disbursements	(20,148)
Cash and investments - ending	\$ 78,207

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE ST. JOSEPH COUNTY HOUSING
CONSORTIUM, ST. JOSEPH COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the St. Joseph County Housing Consortium's (Consortium) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the period of January 1, 2012 to December 31, 2013. The Consortium's major federal program is 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

Our responsibility is to express an opinion on compliance of the Consortium's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Consortium's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Consortium's compliance.

Opinion on Major Federal Program

In our opinion, the Consortium complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the period of January 1, 2012 to December 31, 2013.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001. Our opinion on the major federal program is not modified with respect to these matters.

The Consortium's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Consortium's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

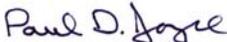
Management of the Consortium is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Consortium's internal control over compliance with 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 our opinion on compliance for the 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, we do not express an opinion on the effectiveness of the Consortium's internal control over compliance.

Our 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, we identified certain deficiencies in internal control over compliance that we 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 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be material weaknesses.

The Consortium's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Consortium's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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


Paul D. Joyce, CPA
State Examiner

May 27, 2014

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the Consortium. The schedule and notes are presented as intended by the Consortium.

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ST. JOSEPH COUNTY HOUSING CONSORTIUM
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended December 31, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-12	Total Federal Awards Expended 12-31-13
<u>Department of Housing and Urban Development</u>					
HOME Investment Partnerships Program	Direct Grant	14.239	M-10-DC-18-0208	\$ 639,790	\$ 284,881
			M-11-DC-18-0208	-	291,297
			M-12-DC-18-0208	-	45,000
			M-13-DC-18-0208	-	60
Total federal awards expended				<u>\$ 639,790</u>	<u>\$ 621,238</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

ST. JOSEPH COUNTY HOUSING CONSORTIUM
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 the Consortium and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of the Consortium shall be conducted biennially. Such audits shall include both years within the biennial period.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the Consortium provided federal awards to subrecipients as follows for the years ended December 31, 2012 and 2013:

Program Title	Federal CFDA Number	2012	2013
HOME Investment Partnerships Program	14.239	\$ 594,055	\$ 575,998

ST. JOSEPH COUNTY HOUSING CONSORTIUM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Program:

CFDA Number	Name of Federal Program or Cluster
14.239	HOME Investment Partnerships Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2013-001 - INTERNAL CONTROLS AND COMPLIANCE OVER REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE HOME INVESTMENT PARTNERSHIPS PROGRAM

Federal Agency: Department of Housing and Urban Development
 Federal Program: HOME Investment Partnerships Program
 CFDA Number: 14.239
 Federal Award Numbers and Years: M-10-DC-18-0208, M-11-DC-18-0208,
 M-12-DC-18-0208, M-13-DC-18-0208

ST. JOSEPH COUNTY HOUSING CONSORTIUM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Management of the Consortium has not established an effective internal control system related to the grant agreement and some of the compliance requirements that have a direct and material effect on the program. This includes the compliance requirements for Cash Management and Program Income. The failure to establish an effective internal control system places the Consortium at risk of noncompliance with the grant agreement and the compliance requirements. A lack of timely supervision of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

The Consortium's procedures to anticipate, identify, and react to routine events affecting cash needs are not adequate. They do not keep management up-to-date on cash balances to ensure compliance with Cash Management and Program Income requirements. Program Income is recorded in the Consortium's records and in the Integrated Disbursement and Information System (IDIS) by the Accountant. The Program Analyst requests grant funds from the IDIS which is used by HUD to monitor cash needs of the Consortium. There was a lack of communication between the Accountant and the Program Analyst which allowed non-compliance to occur and not be detected. In addition, an oversight or review process has not been established to ensure compliance with the requirements.

The grant cash balance steadily increased between January 1 and September 30, 2012, from \$100,933 to \$245,773. Program Income of \$128,956, received in April 2012, was recorded in the ledger, but was not reported to the IDIS until May 2012 which allowed the Consortium to withdraw additional grant funds of \$109,344, even though there was an adequate cash balance on hand to cover expenditures. It was determined that Program Income was not reported to the IDIS by the Accountant until the month after it was received, after the bank account was reconciled to the ledger. Since the Analyst was not aware of the Program Income on hand, grant funds were requested before the Program Income was expended. This resulted in excess grant funds on hand which were not spent within 15 days as required.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper and timely supervision of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

24 CFR 92.502(c) states in part:

"(2) HOME funds drawn from the United States Treasury account must be expended for eligible costs within 15 days. . . .

(3) HOME funds in the local account of the HOME Investment Trust Fund must be disbursed before requests are made for HOME funds in the United States Treasury account."

ST. JOSEPH COUNTY HOUSING CONSORTIUM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The failure to establish internal controls allowed material noncompliance to remain undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the Consortium.

We recommended that the Consortium's management establish controls to ensure compliance and comply with the grant agreement and all compliance requirements that have a direct and material effect on the program.

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AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the Consortium. The document is presented as intended by the Consortium.



ST. JOSEPH COUNTY

HOUSING CONSORTIUM

227 W. Jefferson Blvd. Suite 1400S
South Bend, Indiana 46601
Telephone (574) 235-5841
FAX (574) 235-9021

CORRECTIVE ACTION PLAN

FINDING 2013-001 - INTERNAL CONTROLS AND COMPLIANCE OVER REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE HOME INVESTMENT PARTNERSHIPS PROGRAM

Contact Person Responsible for Corrective Action: Pamela C. Meyer
Contact Phone Number: 574-235-5845

Description of Corrective Action Plan:

The Consortium has established a change in the process for submitting the receipt of program income into the IDIS federal system. The Accountant will submit receipt into IDIS weekly beginning May 27, 2014.

The Accountant's Supervisor will check on a bi-weekly basis that the Accountant has met the weekly reporting.

The Program Analyst, when processing weekly claims, will confirm with the Accountant should the program income account indicate -0-. This will serve as a double check on the receipt of program income.

Anticipated Completion Date: The steps noted above will continue to be a regular part of the receipt and check process related to program income as long as the program income regulations remain in effect.

Pamela C. Meyer
(Signature)

Director
(Title)

May 27, 2014
(Date)

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the Consortium. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.