

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

SUPPLEMENTAL COMPLIANCE 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



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

This report is supplemental to our audit report of the St. Joseph County Housing Consortium (Consortium), for the period from January 1, 2012 to December 31, 2013. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the Consortium. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Consortium, which provides our opinions on the Consortium's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Finding, identified in the above referenced audit report, is included in this report.

Any Corrective Action Plan for the Federal Finding, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

May 27, 2014

ST. JOSEPH COUNTY HOUSING CONSORTIUM
FEDERAL FINDING

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

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.

ST. JOSEPH COUNTY HOUSING CONSORTIUM
FEDERAL FINDING
(Continued)

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."

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.



ST. JOSEPH COUNTY

HOUSING CONSORTIUM

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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)

ST. JOSEPH COUNTY HOUSING CONSORTIUM
EXIT CONFERENCE

The contents of this report were discussed on May 27, 2014, with John Murphy, Fiscal Officer; Donald F. Fozo, Chairman of the Board; and Pamela C. Meyer, Program Administrator.