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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 Kruggel, Lawton & Company, LLC, Independent Public Accountants, for the period October 1, 2011 to September 30, 2012. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the St. Joseph County Housing Authority, as of September 30, 2012 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

St. Joseph County Housing Authority

**ANNUAL REPORT
September 30, 2012**

THE ST. JOSEPH COUNTY HOUSING AUTHORITY

Mishawaka, Indiana

ANNUAL REPORT

September 30, 2012

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of The St. Joseph County Housing Authority ("the Organization") as of September 30, 2012 and 2011, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of The St. Joseph County Housing Authority as of September 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2013, on our consideration of The St. Joseph County Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 19 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. We have applied certain limited procedures to 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Respectfully submitted,


Certified Public Accountants

Elkhart, Indiana
June 25, 2013

THE ST. JOSEPH COUNTY HOUSING AUTHORITY

Mishawaka, Indiana

STATEMENTS OF FINANCIAL POSITION

September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	72,789	81,584
Due from Housing Assistance Office, Inc.	25,733	0
Total Current Assets	98,522	81,584
TOTAL ASSETS	98,522	81,584
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Due to U.S. Department of Housing and Urban Development	69,672	46,292
Due to Housing Assistance Office, Inc.	0	4,623
Total Current Liabilities	69,672	50,915
TOTAL LIABILITIES	69,672	50,915
 NET ASSETS		
Unrestricted net assets	28,850	30,669
TOTAL NET ASSETS	28,850	30,669
 TOTAL LIABILITIES AND NET ASSETS	98,522	81,584

The Notes to Financial Statements are an integral part of this statement.

THE ST. JOSEPH COUNTY HOUSING AUTHORITY

Mishawaka, Indiana

STATEMENTS OF ACTIVITIES AND NET ASSETS

For the Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
REVENUE		
Housing assistance contracts	1,017,393	1,028,833
Total Revenue	1,017,393	1,028,833
EXPENSES		
Housing assistance payments	925,654	928,611
Subcontract fees	83,009	86,621
Other administrative expenses	10,549	14,901
Total Expenses	1,019,212	1,030,133
DECREASE IN UNRESTRICTED NET ASSETS	(1,819)	(1,300)
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	30,669	31,969
UNRESTRICTED NET ASSETS AT END OF YEAR	28,850	30,669

The Notes to Financial Statements are an integral part of this statement.

THE ST. JOSEPH COUNTY HOUSING AUTHORITY

Mishawaka, Indiana

STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	(1,819)	(1,300)
Adjustments to reconcile net decrease in net assets to net cash from operating activities:		
Accounts receivable	0	186
Due to U.S. Department of Housing and Urban Development	23,380	46,292
Due to (from) Housing Assistance Office, Inc.	(30,356)	3,830
Net Cash Flows from Operating Activities	(8,795)	49,008
INCREASE (DECREASE) IN CASH	(8,795)	49,008
CASH AT BEGINNING OF YEAR	81,584	32,576
CASH AT END OF YEAR	72,789	81,584

The Notes to Financial Statements are an integral part of this statement.

THE ST. JOSEPH COUNTY HOUSING AUTHORITY

Mishawaka, Indiana

NOTES TO FINANCIAL STATEMENTS

September 30, 2012 and 2011

NATURE OF BUSINESS

The St. Joseph County Housing Authority ("the Organization") was formed by the St. Joseph County Commissioners as a quasi governmental agency to provide housing assistance to the local community. The housing assistance was to be provided as a part of a comprehensive and coordinated program of housing, child care, transportation, personal and career counseling, adult basic education, job training and job placement to motivated "very-low-income" single parents who are residents of St. Joseph County, Indiana. The housing assistance is funded, directly or indirectly, by the U.S. Department of Housing and Urban Development (HUD).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis of accounting.

The Organization adheres to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, which sets standards for reporting on financial statements of not-for-profit organizations. ASC 958-205 requires the classification and presentation of net assets in three categories: unrestricted, temporarily restricted, and permanently restricted net assets.

Temporarily restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or by actions of the Organization. Temporarily restricted net assets also include cumulative appreciation and reinvested gains on permanently restricted net assets, which have not been appropriated by management of the Organization.

Permanently restricted net assets represent the part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Unrestricted net assets represent the part of the net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for the support of the Organization. All net assets are unrestricted at September 30, 2012 and 2011.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash is held at a local bank and is insured up to the respective limits by the FDIC.

THE ST. JOSEPH COUNTY HOUSING AUTHORITY

Mishawaka, Indiana

NOTES TO FINANCIAL STATEMENTS

September 30, 2012 and 2011

REVENUE RECOGNITION

HUD pays the Organization annual awards for various housing programs. These awards are primarily for housing assistance paid to renters and an administrative fee earned based on HUD approved dollar amounts per unit. This revenue is recognized on a monthly basis as it is earned.

SUBCONTRACT

The Organization subcontracts with Housing Assistance Office, Inc. (HAO) to administer the housing units. The Executive Director of HAO is the Director of the Organization appointed by the St. Joseph County Housing Authority Board of Commissioners. The Organization does not have any employees and uses HAO employees for all administrative functions under its contracts. HAO administers 100% of the revenue earned by the Organization except for the 2% administration fee retained by the Organization.

NOTE 2 - CONCENTRATIONS

The Organization is funded by contracts awarded directly by HUD. The majority of the agreements contain provisions that permit the arrangements to be terminated or the funds provided to be reduced if HUD does not appropriate an adequate amount of funds to maintain the current funding levels.

NOTE 3 - SUBSEQUENT EVENTS

The Subsequent Events Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 855 establishes general standards for non-public entities of accounting for and disclosing events that occur after the balance sheet date but before financial statements are available to be issued. Financial statements are considered available to be issued when they are complete in a form and format that complies with accounting principles generally accepted in the United States of America and all approvals necessary for issuance have been obtained. Accordingly, management has evaluated events or transactions that occurred after the most recent balance sheet date of September 30, 2012 through June 25, 2013, the date the financial statements were available to be issued. Management is not required to and has not evaluated events or transactions that occurred after June 25, 2013. No events or transactions occurred in the mandatory evaluation period requiring recognition or disclosure in the financial statements.

ADDITIONAL REPORTS AND INFORMATION
REQUIRED UNDER SINGLE AUDIT ACT



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*

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

We have audited the financial statements of The St. Joseph County Housing Authority ("the Organization") as of and for the year ended September 30, 2012, and have issued our report thereon dated June 25, 2013. 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.

Internal Control over Financial Reporting

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization'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 Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2012-1, 2012-2, 2012-3 and 2012-4.

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

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

Respectfully submitted,

Krugger, Lantieri & Company, LLC
Certified Public Accountants

Elkhart, Indiana
June 25, 2013



**INDEPENDENT AUDITOR'S 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**

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

Compliance

We have audited The St. Joseph County Housing Authority's ("the Organization") 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 Organization's major federal programs for the year ended September 30, 2012. The Organization's major federal program is 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 Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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 Organization'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 Organization's compliance with those requirements.

As described in items 2012-1, 2012-2, 2012-3, and 2012-4 in the accompanying schedule of findings and questioned costs, the Organization did not comply with requirements regarding allowable activities, reporting, and special tests and provisions that are applicable to its Section 8 Housing Choice Voucher Program. Compliance with such requirements is necessary, in our opinion, for the Organization to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

Management of the Organization 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 Organization'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 Organization'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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been 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 items 2012-1, 2012-2, 2012-3 and 2012-4 to be material weaknesses.

The Organization'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 Organization's responses and, accordingly, we express no opinion on the responses.

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

Respectfully submitted,


Certified Public Accountants

Elkhart, Indiana
June 25, 2013

ST. JOSEPH COUNTY HOUSING AUTHORITY

Mishawaka, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiencies identified that are not considered to be material weakness(es)?	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?	Yes

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs:	\$	300,000
Auditee qualified as low-risk auditee?		No

ST. JOSEPH COUNTY HOUSING AUTHORITY

Mishawaka, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2012

Section II - Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with government auditing standards.

Section III - Federal Award Findings and Questioned Costs

Finding #2012-1 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.

Statement of Condition: The OMB Circular A-133 Compliance Supplement requires that auditors test the applicable compliance requirements on each major federal program. During our audit of the Section 8 Housing Choice Vouchers Program, we noted non compliance with a financial reporting requirement. 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. We noted that the Organization has not filed the required unaudited and audited financial information via FASS-PH for at least the past five years. We also reported this finding in the audit of the September 30, 2011 financial statements.

Questioned Cost: Not applicable

Perspective Information: The Organization has not submitted required GAAP based unaudited and audited information for at least four years and the two years that were submitted prior to that failed qualification and were never resubmitted.

Cause: After being made aware of this requirement by the prior year audit report, the Accounting Manager attempted to make on-line submissions of the required information but experienced difficulties 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.

Recommendations: We recommend that the Accounting Manager follow up with the HUD contact who can assist the Accounting Manager with the correct data submission.

Management's response: Management has acknowledged that the reports have not been submitted. Management reviewed the requirements for submission and decided to delay filing all years until Housing Choice Voucher (HCV) training is attended to insure the submissions are done accurately. The Accounting Manager and Executive Director are attending HCV training in September 2013. After obtaining clarification, all past and current year financial information will be uploaded to the FASS PH system.

ST. JOSEPH COUNTY HOUSING AUTHORITY

Mishawaka, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended September 30, 2012

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

Finding #2012-2 Failure to submit Net Restricted Asset (NRA) and Unrestricted Net Asset (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.

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

Questioned Cost: Not applicable

Perspective Information: The Organization submitted NRA and UNA balances for the last ten months of the year ended September 30, 2012 but did not submit the information via VMS as required for October and November 2011. In addition, NRA balances submitted appear to have been calculated incorrectly.

Cause: The prior contracted accountant ended his relationship with the Organization 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. In addition, the current Accounting Manager is new to his role.

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

Recommendations: We recommend that the current Accounting Manager review the electronic code of federal regulations 24 CFR section 982.158 and 24 CFR part 5, subpart H. We 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 NRA and UNA balances were not submitted for October and November 2011. These months were not submitted due to changes in the Organization's personnel. HUD was notified and kept abreast of the situation. NRA and UNA balances for all other months were submitted according to the calculations provided verbally to management by HUD in December 2011. Management has acknowledged that the NRA balances submitted for those months were incorrect due to a misunderstanding of the NRA calculation provided to management verbally by HUD. Management has reviewed the calculation as stated in HUD's QAD report and understands how to calculate the balance for future submissions. The Organization is currently in the process of reviewing, reconciling, and updating those balances as necessary through VMS. The calculation will also be covered in the HCV training the Executive Director and Accounting Manager will attend in September 2013.

ST. JOSEPH COUNTY HOUSING AUTHORITY

Mishawaka, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended September 30, 2012

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

Finding #2012-3 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.

Statement of Condition: The Organization incorrectly reported fields in its monthly VMS submissions 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 last day of month as a result of using the wrong source document for data submission.

Questioned Cost: Not applicable

Perspective Information: At least one data field in VMS was reported incorrectly in VMS during the period October 2011 through September 2012.

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.

Recommendations: We recommend that the Accounting Manager adjust VMS reporting as necessary as soon as possible.

Management's response: Management has acknowledged that there were some errors in the reporting of the data fields as reported monthly during the year ended September 30, 2012 as a result of using an improper source document. Management has indicated these errors will be corrected as soon as possible in accordance with HUD regulations. The HCV training in September 2013 will also aid in management's understanding of the proper data to be submitted.

ST. JOSEPH COUNTY HOUSING AUTHORITY

Mishawaka, Indiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONCLUDED)

For the Year Ended September 30, 2012

Section III - Federal Award Findings and Questioned Costs (Concluded)

Finding #2012-4 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.

Statement of Condition: The Organization transferred HAP funds to the sub-recipient in excess of the amounts earned based on actual HAP expenditures and established fee rates.

Questioned Cost: Not applicable

Perspective Information: The sub-recipient owes the PHA \$25,733 as of September 30, 2012.

Cause: The Accounting Manager transferred amounts to the sub-recipient in excess of the sub-recipient's actual HAP expenses for the month and used incorrect rates when calculating the amount of administrative fees earned by the sub-recipient for the year ended September 30, 2012.

Effect: The sub-recipient used HAP funding for expenditures other than HAP expenses which can result in civil penalties or sanctions.

Recommendations: We recommend that the Accounting Manager review the electronic code of federal regulations 24 CFR and that the PHA recapture the amounts transferred to the sub-recipient in excess of what was actually earned.

Management's response: Management has acknowledged that incorrect rates were used in the calculation of administrative fees and that monthly transfers to the sub-recipient for HAP expenditures were not always in the exact amounts of the HAP expenditures for a given month. Management acknowledges excess transfers made in an effort to make sure all HAP were covered during the period in which the prior contracted accountant terminated and the new Accounting Manager was hired. Management intends to refund the PHA the required amounts as soon as possible.

ST. JOSEPH COUNTY HOUSING AUTHORITY

Mishawaka, Indiana

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2012

Finding #2011-1 Failure to submit financial information via FASS-PH

Condition: This finding was a material weakness stating that there was non compliance with a financial reporting requirement. Specifically, the finding noted that the Organization had not filed the required unaudited and audited financial information via FASS-PH at least five years as of year end September 30, 2011.

Recommendations: The auditor recommended that the Accounting Manager review OMB Circular A-133 Compliance Supplement Part 4 - Department of Housing and Urban Development CFDA #14.871 and OMB No. 2535-0107. It was also recommended that the Accounting Manager submit the necessary information to bring the Organization into compliance.

Current Status: The Accounting Manager is awaiting guidance from HUD relative to the required data fields included in the reporting mechanism. FASS-PH submissions outstanding at September 30, 2012 remain the same as at September 30, 2011. The submission for the year ended September 30, 2012 has not yet been filed.

Finding #2011-2 Failure to submit Net Restricted Asset and Unrestricted Net Asset balances to HUD via VMS

Condition: This finding was a material weakness stating that there was non compliance with a financial reporting requirement. Specifically, it was noted that the Organization did not submit its NRA and UNA balances to HUD via VMS for August and September 2011. It was also noted that while the Organization had been submitting these balances verbally for the fiscal year ended September 30, 2011, the balances had not been reported in VMS.

Recommendations: It was recommended that the Accounting Manager review the electronic code of federal regulations 24 CFR section 982.158 and 24 CFR part 5, subpart H. It was also recommended that the Accounting Manager bring the VMS reporting up-to-date as soon as possible.

Current Status: The recommendation to bring the VMS reporting up-to-date as soon as possible was adopted by management. NRA and UNA submissions were updated accordingly. We noted similar errors in NRA and UNA for the fiscal year under audit, the year ended September 30, 2012.

Finding #2011-3 Inaccurate information reported to HUD via VMS

Condition: A report issued by the Quality Assurance Division (QAD) of HUD called attention to inaccuracies in information submitted to HUD via VMS. Specifically, the Organization incorrectly reported Vouchers Under Lease On Last Day of Month and All Other Vouchers UML from October 2009 through December 2010. During audit procedures, inaccurate reporting during the year ended September 30, 2011 were noted as well.

Recommendations: It was recommended that the Accounting Manager review the report issued by the QAD and adjust VMS reporting as necessary as soon as possible.

Current Status: The recommendation was adopted by management and VMS submissions were updated accordingly. We noted similar errors in VMS reporting of Vouchers Under Lease on Last Day of Month and All Other Vouchers UML for the fiscal year under audit, the year ended September 30, 2012.

SUPPLEMENTARY INFORMATION

ST. JOSEPH COUNTY HOUSING AUTHORITYMishawaka, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
Section 8 Housing Choice Vouchers	14.871	1,019,212
Total Expenditures of Federal Awards		\$ 1,019,212

NOTE 1 - BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal grant activity of The St. Joseph County Housing Authority for the year ended September 30, 2012 and is presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. 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 - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, The St. Joseph County Housing Authority provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Federal Expenditures
Section 8 Housing Choice Vouchers	14.871	
Housing Assistance Office, Inc.		987,752
Other housing authorities		27,850
		<u>\$ 1,015,602</u>

THE ST. JOSEPH COUNTY HOUSING AUTHORITY

Mishawaka, Indiana

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2012

The St. Joseph County Housing Authority (SJCHA) was established in 1976. Its Mission Statement reads: "To provide decent, safe, affordable housing to very low income families in St. Joseph County and to be an advocate for support programs that enhance the quality of life of those we serve."

The SJCHA is under contract with the Housing Assistance Office, Inc. (HAO) to administer the 224 Section 8 Housing Choice Vouchers the SJCHA has been awarded by the U.S. Department of Housing and Urban Development (HUD). Three (3) members of the HAO staff, with oversight by the HAO Director, administer the Voucher Program, which includes such tasks as maintaining a waiting list, in-office initial and annual interviews, third party verification, initial and annual on-site inspections, lease-ups, and financial and accounting oversight. The SJCHA's performance is checked monthly using a statistical report to measure current budget usage and future projections.

The St. Joseph County Housing Authority's Board of Commissioners governs the SJCHA. This seven-member board, consisting of local residents representing outlying communities and low-income families in our jurisdiction, is appointed by the St. Joseph County Council. The policies followed by staff members are outlined in the SJCHA's Administrative Plan. This plan was created by using regulations put forth by HUD. The SJCHA Administrative Plan is updated whenever new rules or directives are received from HUD or when the Commissioners make a policy change.

The SJCHA Board of Commissioners meets quarterly unless action on an item needs to be taken before a regular meeting. A special meeting is called when needed. The Section 8 Waiting List is currently closed, and was opened from Monday, March 18, 2013 through Friday, March 29, 2013. The applicants are required to update whenever they have a change in household size, income, or address, but no more than every 6 months, or their name is removed from the Waiting List. This process keeps an active and updated list. At September 30, 2012 there were 0 applicants on the waiting list.

A monthly statistical report keeps the staff aware at all times how successfully the Section 8 program is being run and, therefore, allows for any needed adjustments to maintain full usage of the current funds available.

As a result of reduced funding, SJCHA's average lease-up rate fell to 81% during the year ended September 30, 2012. SJCHA will conduct interviews to lease up the remaining available vouchers as funding become available.