

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

NORTHWEST INDIANA HEALTH
DEPARTMENT COOPERATIVE
LAKE COUNTY, INDIANA

January 1, 2013 to December 31, 2014



FILED
11/24/2015

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
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 <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	11
Notes to Financial Statement	12-15
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	18-19
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance.....	22-23
Schedule of Expenditures of Federal Awards and Accompanying Note:	
Schedule of Expenditures of Federal Awards.....	27
Note to Schedule of Expenditures of Federal Awards	28
Schedule of Findings and Questioned Costs	29-34
Auditee Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	36
Corrective Action Plan	37-38
Other Report	39

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Project Director	Rise Ratney	01-01-13 to 12-31-15
Executive Director	Dr. Roland Walker	01-01-13 to 12-31-15
Fiscal Officer	Kimberly Anderson M. Celita Green	01-01-13 to 08-15-13 08-16-13 to 12-31-15
President of the Board	Roosevelt Allen, Jr.	01-01-13 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE NORTHWEST INDIANA HEALTH
DEPARTMENT COOPERATIVE, LAKE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Northwest Indiana Health Department Cooperative (Cooperative), which comprises the financial position and results of operations for the period of January 1, 2013 to December 31, 2014, 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 Cooperative'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 Cooperative'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 Cooperative 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 Cooperative for the period of January 1, 2013 to December 31, 2014.

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 Cooperative for the period of January 1, 2013 to December 31, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Cooperative'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.


Other Information

Our audit was conducted for the purpose of forming an opinion on the Cooperative'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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 15, 2015, on our consideration of the Cooperative'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 Cooperative's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

September 15, 2015



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

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 NORTHWEST INDIANA HEALTH
DEPARTMENT COOPERATIVE, LAKE 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 Northwest Indiana Health Department Cooperative (Cooperative), which comprises the financial position and results of operations for the period of January 1, 2013 to December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated September 15, 2015, wherein we noted the Cooperative 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 Cooperative'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 Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 to be material weaknesses.

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 Cooperative'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 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 item 2014-001.

Northwest Indiana Health Department Cooperative's Response to Findings

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

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 Cooperative'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 Cooperative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Paul D. Joyce, CPA
State Examiner

September 15, 2015

(This page intentionally left blank.)

FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

(This page intentionally left blank.)

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2013 and 2014

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13	Receipts	Disbursements	Cash and Investments 12-31-14
Elimination of Disparities	\$ 48,498	\$ 1,197,600	\$ 1,215,391	\$ 30,707	\$ 1,038,275	\$ 1,075,011	\$ (6,029)
Tobacco	-	-	-	-	57,563	96,729	(39,166)
Healthy Start Donations	-	-	-	-	1,700	-	1,700
Totals	<u>\$ 48,498</u>	<u>\$ 1,197,600</u>	<u>\$ 1,215,391</u>	<u>\$ 30,707</u>	<u>\$ 1,097,538</u>	<u>\$ 1,171,740</u>	<u>\$ (43,495)</u>

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

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Northwest Indiana Health Department Cooperative (Cooperative) was established under the laws of the State of Indiana. The Cooperative operates under an appointed governing board.

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

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, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

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

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
NOTES TO FINANCIAL STATEMENT
(Continued)

E. Disbursements

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

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies, which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

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.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

F. Fund Accounting

Separate funds are established, maintained, and reported by the Cooperative. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Cooperative. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Cooperative in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. 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 Cooperative 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.

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 3. Risk Management

The Cooperative may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Cooperative to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 4. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Cooperative authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy

The contribution requirements of plan members and the Cooperative are established by the Board of Trustees of INPRS.

Note 5. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the Cooperative were not received by December 31, 2014.

(This page intentionally left blank.)

OTHER INFORMATION - UNAUDITED

The Cooperative's Annual Financial 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 Financial Report of the Cooperative which are 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 other information presented was approved by management of the Cooperative. It is presented as intended by the Cooperative.

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2013

	Elimination of Disparities	Tobacco	Healthy Start Donations	Totals
Cash and investments - beginning	\$ 48,498	\$ -	\$ -	\$ 48,498
Receipts:				
Intergovernmental	1,196,700	-	-	1,196,700
Other receipts	900	-	-	900
Total receipts	1,197,600	-	-	1,197,600
Disbursements:				
Personal services	924,056	-	-	924,056
Supplies	7,839	-	-	7,839
Other services and charges	272,659	-	-	272,659
Capital outlay	10,837	-	-	10,837
Total disbursements	1,215,391	-	-	1,215,391
Excess (deficiency) of receipts over disbursements	(17,791)	-	-	(17,791)
Cash and investments - ending	\$ 30,707	\$ -	\$ -	\$ 30,707

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2014

	Elimination of Disparities	Tobacco	Healthy Start Donations	Totals
Cash and investments - beginning	\$ 30,707	\$ -	\$ -	\$ 30,707
Receipts:				
Intergovernmental	1,038,275	57,563	-	1,095,838
Other receipts	-	-	1,700	1,700
Total receipts	1,038,275	57,563	1,700	1,097,538
Disbursements:				
Personal services	856,127	80,245	-	936,372
Supplies	5,888	2,503	-	8,391
Other services and charges	212,996	13,981	-	226,977
Total disbursements	1,075,011	96,729	-	1,171,740
Excess (deficiency) of receipts over disbursements	(36,736)	(39,166)	1,700	(74,202)
Cash and investments - ending	\$ (6,029)	\$ (39,166)	\$ 1,700	\$ (43,495)

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

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

TO: THE OFFICIALS OF THE NORTHWEST INDIANA HEALTH
DEPARTMENT COOPERATIVE, LAKE COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Northwest Indiana Health Department Cooperative's (Cooperative) 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, 2013 to December 31, 2014. The Cooperative'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 for the Cooperative's major federal program based on our audit of the types of compliance requirements referred to above. Except as discussed in the following paragraph, 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 Cooperative'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 Cooperative's compliance.

Opinion on the Major Federal Program

In our opinion, the Cooperative 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, 2013 to December 31, 2014.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 items 2014-002 and 2014-003. Our opinion on the major federal program is not modified with respect to these matters.

The Cooperative's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Cooperative'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

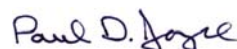
Management of the Cooperative is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Cooperative's internal control over compliance with the types of requirements that could have a direct and material effect on the 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 Cooperative'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 items 2014-002, 2014-003, and 2014-004 to be material weaknesses.

The Cooperative's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Cooperative'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

September 15, 2015

(This page intentionally left blank.)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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

(This page intentionally left blank.)

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended December 31, 2013 and 2014

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 12-31-13	Total Federal Awards Expended 12-31-14
<u>Department of Health and Human Services</u>					
Healthy Start Initiative	Direct Grant	93.926			
Healthy Start			5 H49MC00083-12-00	\$ -	\$ 888,443
Healthy Start			5 H49MC00083-13-00	-	148,921
Healthy Start			6 H49MC00083-11-01	181,714	-
Healthy Start			6 H49MC00083-12-01	<u>1,014,986</u>	<u>-</u>
Total federal awards expended				<u>\$ 1,196,700</u>	<u>\$ 1,037,364</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Cooperative and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. 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 5-11-1-25), audits of cooperatives with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
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?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

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
93.926	Healthy Start Initiative

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

Auditee qualified as low-risk auditee?	no
--	----

Section II - Financial Statement Findings

**FINDING 2014-001 - INTERNAL CONTROLS AND COMPLIANCE
OVER FINANCIAL TRANSACTIONS AND REPORTING**

The Cooperative has deficiencies in the internal control system related to financial transactions and reporting.

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Monitoring of Controls

An evaluation of the Cooperative's system of internal control has not been conducted. The failure to monitor the internal control system places the Cooperative at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, misstatements in a timely manner. Additionally, the Cooperative has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the Cooperative to monitor and assess the quality of the system of internal control.

Financial Reporting

The internal controls over financial reporting were not effective. The financial statement did not include donations received in both 2013 and 2014. Additionally, when the records were transferred to the new fiscal agent the NWI Health Department Cooperative fund was closed out and a new fund, Elimination of Disparities, was established. Both funds were presented on the financial statement resulting in the balance of \$48,498 to be reported twice.

Schedule of Expenditures of Federal Awards (SEFA)

The internal controls over the SEFA were not effective. The Cooperative should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

The SEFA presented for audit included \$96,279 in state grant funds which were not federally funded.

Audit adjustments were proposed, approved, and made to the financial statement and SEFA presented in this report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-002 - ALLOWABLE COSTS/COSTS PRINCIPLES

Federal Agency: Department of Health and Human Services

Federal Program: Healthy Start Initiative

CFDA Number: 93.926

Federal Award Numbers: 5 H49MC00083-12-00, 5 H49MC00083-13-00,
6 H49MC00083-11-01, 6 H49MC00083-12-01

The Cooperative operates an Eliminating Disparities in Prenatal Health Program funded by the Healthy Start Initiative grant from the Department of Health and Human Services. All transactions related to the program are recorded in the Elimination of Disparities fund maintained by the fiscal agent. This includes, but is not limited to, salaries and benefits, transportation for clients, and supplies and services.

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Management of the Cooperative has not established an effective internal control system, to ensure that only allowable, approved, and adequately documented costs are paid with Healthy Start Initiative program funds.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis.

The grant fund is used for the payment of wages of Healthy Start employees, including a portion of the Fiscal Officers' salary for fiscal years 2013 and 2014. The Fiscal Officers worked a portion of their time on Healthy Start activities and a portion of their time on other City duties. Time records were not the basis to support the distribution of a portion of their salaries to the program. The basis for the payment was the Salary Ordinance adopted by the Common Council of the City. Documentation of the calculation or determination of the basis for the allocated amount in the Salary Ordinance was not provided for audit. This resulted in the payment of salaries without adequate support as required by OMB Circular A-87. The gross wages charged to the federal grant for Fiscal Officer compensation from January 1, 2013 to December 31, 2014, totaled \$33,664 and is considered a questioned cost.

OMB Circular A-87, Attachment B, Section 8, Compensation for personal services, states in part:

"h. Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation. . . .

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity."

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."

The failure to establish internal controls enabled noncompliance to go undetected. The failure to comply with compliance requirements could result in the loss of federal funds to the Cooperative.

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

We recommended that the Cooperative's management establish controls to ensure compliance and comply with the Allowable Costs/Costs Principles requirements of the program.

FINDING 2014-003 - PERIOD OF AVAILABILITY

Federal Agency: Department of Health and Human Services

Federal Program: Healthy Start Initiative

CFDA Number: 93.926

Federal Award Numbers: 5 H49MC00083-12-00, 5 H49MC00083-13-00,
6 H49MC00083-11-01, 6 H49MC00083-12-01

Internal Controls

The Cooperative operates an Eliminating Disparities in Prenatal Health Program funded by the Healthy Start Initiative grant from the Department of Health and Human Services. All transactions related to the program are recorded in the Elimination of Disparities fund maintained by the Fiscal Agent.

Management of the Cooperative has not established an effective internal control system, to ensure that grant obligation and disbursements are within the allowed period of availability. Records are not maintained in a manner to identify the period of availability that a disbursement would be covered by.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis.

Compliance

The Cooperative changed Fiscal Agents in August 2013. The computerized accounting system and the ledgers generated from the new Fiscal Agent's accounting software did not contain identifying account numbers assigned or used for the different grant periods to track expenses from the various periods of obligation. A separate spreadsheet or other record is not maintained to identify the correct grant period or track period of availability. Four separate grant funding periods were possible during the audit period. It could not be determined which obligations were being charged to which funding period due to the lack of adequate identifying information. Period of availability could not be determined from the records, and therefore could not be tested for compliance.

45 CFR 92.23 states in part:

"(a) Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period . . .

(b) A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period . . . "

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."

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to materially comply with the compliance requirements could result in the loss of federal funds to the Cooperative.

We recommended that the Cooperative's management establish controls to ensure compliance and comply with Period of Availability requirements of the program.

FINDING 2014-004 - REPORTING

Federal Agency: Department of Health and Human Services

Federal Program: Healthy Start Initiative

CFDA Number: 93.926

Federal Award Numbers: 5 H49MC00083-12-00, 5 H49MC00083-13-00, 6 H49MC00083-12-01

Management of the Cooperative has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Reporting compliance requirement.

The quarterly financial reports and the annual financial report were prepared by the Fiscal Officer. The Fiscal Officer was solely responsible for verifying the data online, submitting the reports, and signing the reports. As a result, there was a lack of segregation of duties over the Reporting compliance requirement for these reports.

The failure to establish an effective internal control system places the Cooperative at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation 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.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a 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 segregation 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. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the Cooperative.

We recommended that the Cooperative's management establish controls, including segregation of duties, related to the grant agreement, and the Reporting compliance requirement.

AUDITEE PREPARED DOCUMENTS

The subsequent documents were provided by management of the Cooperative. The documents are presented as intended by the Cooperative.



NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-001 (Auditor Assigned Reference Number)

Original Assigned SBA Audit Report Number: B43131

Report Period: January 1, 2011 to December 31, 2012

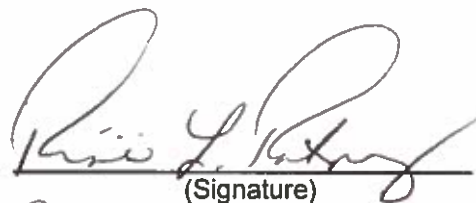
Federal Grantor Agency: Department of Health and Human Services

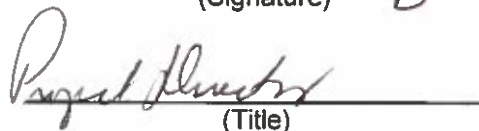
Contact Person Responsible for Corrective Action: Risë L. Ratney, Project Director, NW IN Healthy Start

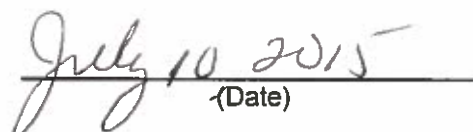
Contact Phone Number: 219 989-3939

Status of Audit Finding:

The Northwest Indiana Health Department Cooperative has incorporated the City of Gary grant policies and procedures to assure appropriate internal controls. These procedures are being monitored for their effectiveness.


(Signature)


(Title)


(Date)

CORRECTIVE ACTION PLAN

FINDING

Contact Person Responsible for Corrective Action: Risë L. Ratney, Project Director, NWI Healthy Start
Contact Phone Number: 219 886-0028

Description of Corrective Action Plan:

2014-001 INTERNAL CONTROLS AND COMPLIANCE OVER FINANCIAL TRANSACTIONS AND REPORTING

In 2013, the Health Cooperative transferred its Fiscal Agent responsibilities from the City of East Chicago to the City of Gary. The files, the annual report, and previous audits did not reflect the fact that the donations had been deposited and recorded with the grant revenues, therefore, the City of Gary had no knowledge of donations received prior to the donations fund being established in 2014 by the City of Gary.

As a result, the Donations reported on the financial reports were understated, and the grant revenues were overstated.

In addition, even though the grant number was the same in the City of East Chicago, and the City of Gary, the Local Fund names were different and consequently separated incorrectly on the SEFA according to the Local Fund name.

We believe that the circumstances regarding these audit findings are extenuating considering the transition of transferring the grant not only from one City to another, but from different financial systems and processes to another, and we do not foresee these issues occurring in the future.

2014-002- ALLOWABLE COSTS/COST PRINCIPLES

The OMB Circular A-87, Attachment B, Section 8-H indicates that: *"Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection-5, unless other substitute system has been approved by the cognizant Federal agency".*

Health and Human Services has approved a method of payment of salaries based on a percentage of total administration budget and reasonable expectations of a fiscal agent, which has been used for at least the past 20 years. We have contacted the Health and Human Services Grant Administrator (HHS) Specialist for the Healthy Start program, who confirmed that the current method used is appropriate and reasonable. She also indicated that HHS performs their own audit, and that a time and effort reporting requirement has never resulted in a finding for the fiscal agent.

2014-003 – PERIOD OF AVAILABILITY

We currently have in place a grant eligibility approval form which requires the review of a person who is knowledgeable of the period of availability requirement. The form requires the review and approval by the Project Fiscal Clerk, the Grant Administrator, as well as the Controller. This form was created as a result of the 2012 previous audit and designed to address the risk both unallowable costs and expenditures paid within the period of availability.

Additionally, we are considering updating our current software system to be able to account for expenditures within each separate grant period.

2014-004 – REPORTING

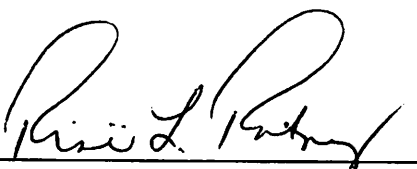
The Quarterly Reports in the Payment Management System are based on the drawdowns requested in the system. The drawdowns are prepared by the Grant Administrator, approved by the Controller, reviewed and drawn down by the Fiscal Clerk.

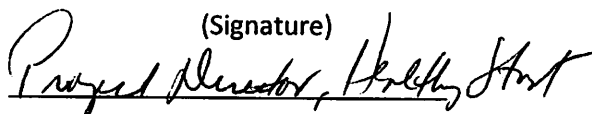
When submitting the Quarterly Report, all drawdowns requested for the quarter are reconciled to the RDS system for by the Fiscal Officer.

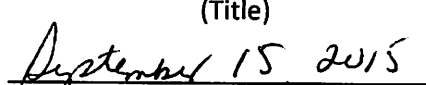
When filing the Annual Report both the Grant Administrator and Fiscal Officer review the Quarterly reports with supporting documentation to assure that it reconciles to the RDS system for the Annual Reporting Period.

The internal controls that are used to process Draw Downs, Quarterly Reporting, and Annual Reporting, are currently verbally documented. However, we are currently reviewing our Internal Controls to ensure that all procedures are documented in writing.

Anticipated Completion Date: December, 2015



(Signature)


(Title)


(Date)

OTHER REPORT

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