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# STATE OF INDIANA

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May 14, 2009

Board of Commissioners
The St. Joseph County Housing Authority
1138 Lincolnway East
South Bend, IN 46634

We have reviewed the audit report prepared by Blue & Co., LLC, Independent Public Accountants, for the period October 1, 2006 to September 30, 2007. 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, 2007, 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

# THE ST. JOSEPH COUNTY HOUSING AUTHORITY

TABLE OF CONTENTS
SEPTEMBER 30, 2007 AND 2006


Page

**Report of Independent Auditors** ..... 1

**Financial Statements**

Statements of Financial Position ..... 3

Statements of Activities ..... 4

Statements of Cash Flows ..... 5

Notes to Financial Statements ..... 6

**Additional Reports and Information Required Under Single Audit Act**

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* ..... 8

Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133 ..... 10

Schedule Of Findings And Questioned Costs ..... 12

Summary Schedule Of Prior Audit Findings and Questioned Costs ..... 14

**Supplementary Information (September 30, 2007)**

Schedule Of Expenditures Of Federal Awards ..... 15

Management's Discussion and Analysis ..... 16

CPAs / ADVISORS

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# REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying statements of financial position of The St. Joseph County Housing Authority ("SJCHA") as of September 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of SJCHA'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 audit 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 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 above present fairly, in all material respects, the financial position of SJCHA as of September 30, 2007 and 2006, 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 January 6, 2007 on our consideration of SJCHA'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 for the year ended September 30, 2006. 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended September 30, 2007, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic September 30, 2007 financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The management's discussion and analysis on pages 16 and 17 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurements and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Blue & Co., LLC

March 2, 2008

# THE ST. JOSEPH COUNTY HOUSING AUTHORITY

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2007 AND 2006

## ASSETS

| | 2007 | Restated 2006 |
|---|---|---|
| Cash | $ 4,407 | $ 7,662 |
| Due from Housing Assistance Office, Inc. | 70,719 | 32,387 |
| | $ 75,126 | $ 40,049 |

## NET ASSETS

| | | |
|---|---|---|
| Unrestricted net assets | $ 75,126 | $ 40,049 |

*See accompanying notes to financial statements.*

# THE ST. JOSEPH COUNTY HOUSING AUTHORITY

STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2007 AND 2006

| | 2007 | Restated 2006 |
|---|---|---|
| **Revenue** | | |
| Housing assistance contracts | $ 976,083 | $ 925,727 |
| **Expenses** | | |
| Housing assistance payments | 835,941 | 799,659 |
| Subcontract fees | 93,008 | 93,654 |
| Other administrative expenses | 12,057 | 11,755 |
| Total expenses | 941,006 | 905,068 |
| Change in net assets | 35,077 | 20,659 |
| **Unrestricted net assets, beginning of year** | 40,049 | 19,390 |
| **Unrestricted net assets, end of year** | $ 75,126 | $ 40,049 |

*See accompanying notes to financial statements.*

# THE ST. JOSEPH COUNTY HOUSING AUTHORITY

STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2007 AND 2006

| | 2007 | Restated 2006 |
|---|---|---|
| **Operating activities** | | |
| Change in net assets | $ 35,077 | $ 20,659 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities | | |
| Due from Housing Assistance Office, Inc. | (38,332) | (18,543) |
| Net cash flows from operating activities | (3,255) | 2,116 |
| **Cash, beginning of year** | 7,662 | 5,546 |
| **Cash, end of year** | $ 4,407 | $ 7,662 |

*See accompanying notes to financial statements.*

## 1. NATURE OF ACTIVIES

The St. Joseph County Housing Authority ("SJCHA") was formed by the St. Joseph County Commissioners as a quasi governmental agency to provide housing assistance. 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 was to be funded, directly or indirectly, by the U.S. Department of Housing and Urban Development ("HUD").

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

SJCHA's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of SJCHA are net assets that are not subject to donor-imposed stipulation.

### 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Housing Assistance Contracts

HUD pays SJCHA 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

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

## 3. FUNDING CONCENTRATION

The SJCHA 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.

## 4. RESTATEMENT OF FISCAL 2006 FINANCIAL STATEMENTS

The accompanying financial statements for the year ended December 31, 2006 have been restated herein to correct the recording of housing assistance contract revenue as the result of a determination made by the U.S. Department of Housing and Urban Development. Unrestricted net assets at the beginning of the year ended December 31, 2006 have been increased by $11,953. The adjustment also increased the total change in net assets by $21,559 during the year ended December 31, 2006.

# ADDITIONAL REPORTS AND INFORMATION REQUIRED UNDER SINGLE AUDIT ACT

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# 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*

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

We have audited the financial statements of The St. Joseph County Housing Authority ("SJCHA") as of and for the year ended September 30, 2007, and have issued our report thereon dated March 2, 2008. 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

In planning and performing our audit, we considered SJCHA'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 SJCHA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SJCHA's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

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*
(Continued)

**Compliance and Other Matters**

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

This report is intended solely for the information and use of the Board of Commissioners, management, the federal awarding agency 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.

Blue & Co., LLC

March 2, 2008

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# REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

**Compliance**

We have audited the compliance of The St. Joseph County Housing Authority ("SJCHA") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. SJCHA'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 its major federal program is the responsibility of SJCHA's management. Our responsibility is to express an opinion on SJCHA'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 SJCHA'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 on SJCHA's compliance with those requirements.

In our opinion, SJCHA complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2007.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

**Internal Control Over Compliance**

The management of SJCHA 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 SJCHA's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 SJCHA's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Commissioners, management, the 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.

Blue & Co., LLC

March 2, 2008

# THE ST. JOSEPH COUNTY HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

## Section I - Summary of Auditor's Results

*Financial Statements*

| | | |
|---|---|---|
| Type of auditor's report issued: | | Unqualified |
| Internal control over financial reporting: | | |
| Material weaknesses identified? | ____ yes | X no |
| Reportable conditions identified that are not considered to be material weaknesses? | ____ yes | X none reported |
| Noncompliance material to financial statements noted? | ____ yes | X no |

*Federal Awards*

| | | |
|---|---|---|
| Internal control over major programs: | | |
| Material weaknesses identified? | ____ yes | X no |
| Reportable conditions identified that are not considered to be material weaknesses? | ____ yes | X none reported |
| Type of auditor's report issued on compliance for major programs: | | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | ____ yes | X no |

Identification of major programs:

| *CFDA Number(s)* | *Name of Federal Program or Cluster* |
|---|---|
| 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? | X yes | no |

# THE ST. JOSEPH COUNTY HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(Continued)

## Section II - Financial Statement Findings

There were no findings that are required to be reported in accordance with *Government Auditing Standards*.

## Section III - Federal Award Findings and Questioned Costs

There were no findings or questioned costs that are required to be reported in accordance with OMB Circular A-133.

# THE ST. JOSEPH COUNTY HOUSING AUTHORITY

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2007

There were no audit findings and questioned costs reported in the prior year.

# SUPPLEMENTARY INFORMATION

# THE ST. JOSEPH COUNTY HOUSING AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2007

| 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 | $ 941,006 |

## 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, 2007 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 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 | Amount Provided to Subrecipients |
|---|---|---|
| Section 8 Housing Choice Vouchers | 14.871 | $ 936,949 |

# THE ST. JOSEPH COUNTY HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2007

The St. Joseph County Housing Authority (SJCHA) was established in 1976. It's 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 Housing Authority has been awarded. 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 HA's performance is checked monthly using a statistical report to measure current budget usage and future projections.

The SJCHA is governed by the St. Joseph Housing Authority's Board of Commissioners. This 7 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 Housing Authority'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 by 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. Then a special meeting is called.

During this reporting period the Commissioners approved the updated By-Laws for the Housing Authority.

During the past year, one of the commissioners resigned due to conflict of interest with new employment and this required the search for a new Commissioner. One of our former Section 8 recipients who has demonstrated outstanding skills in becoming Self-Sufficient has accepted the responsibility. Utilizing an Individual Retirement Account and Down Payment Assistance to purchase a newly constructed home through the First Time Homebuyer program, both administered by the Housing Assistance Office, Inc., she has been able to purchase a home and work towards receiving a Bachelor's Degree. The request for her appointment has been sent to the St. Joseph County Council.

The Section 8 Waiting List is open for applications the first Wednesday of every month. 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. Although it varies month to month, there is an average of 250 applicants on the waiting list.

*See report of independent auditors on page 1.*

The Payment Standards were increased to 100% of the Fair Market Rents October 1, 2007.

We received notice from the U.S, Department of Housing & Urban Development that our SEMAP score for the previous fiscal year was 100 again designating St. Joseph County Housing Authority a high performing agency. This indicator along with our in house monthly statistical report keep the staff aware at all times how successful the Section 8 program is being run and, therefore, allow for any needed adjustments to maintain full usage of the current funds available.

Due to changing times, applicants have become very demanding and un-accepting of being declared over income or ineligible for the program. Some of the clients display this anger in a manner that is very frightening to the staff. In light of the many anger shootings happening in today's society, management is in the process of exploring affordable security measures to use at their desks to notify the police for assistance.