

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ST. JOSEPH COUNTY HOUSING CONSORTIUM

ST. JOSEPH COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
06/21/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Finding: Finding 2015-001 - Financial Transactions and Reporting	4-5
Corrective Action Plan.....	6-7
Exit Conference.....	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Fiscal Officer	John H. Murphy	01-01-15 to 12-31-18
Chairman of the Board	Donald F. Fozo Brian Pawlowski	01-01-15 to 09-20-16 09-21-16 to 12-31-17
Program Director	Pamela C. Meyer	01-01-15 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the St. Joseph County Housing Consortium (Consortium), for the period from January 1, 2015 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the Consortium. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Consortium, which provides our opinions on the Consortium's financial statement and federal program compliance. This report may be found at www.in.gov/sboa.

The Federal Finding, identified in the above referenced audit report, is included in this report and should be viewed in conjunction with the Audit Result and Comment as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Result and Comment contained herein describes the identified reportable instance of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Finding and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

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

May 16, 2017

ST. JOSEPH COUNTY HOUSING CONSORTIUM
FEDERAL FINDING

FINDING 2015-001 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

The Consortium failed to establish or properly implement effective internal controls over cash and investments, receipts, and the Schedule of Expenditures of Federal Awards (SEFA).

Cash and Investments

The Consortium failed to document an oversight or review process over the monthly bank reconciliations.

Receipts

The Consortium did not issue receipts for payments received. Payments received were recorded based on deposits. The same person who prepared the deposit took it to the depository.

SEFA

The controls in place to ensure accurate reporting of federal awards were not effective. As a result, the amount reported as pass-through to subrecipients was understated by \$806,213.

Audit adjustments were proposed, accepted by the Consortium, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

ST. JOSEPH COUNTY HOUSING CONSORTIUM
FEDERAL FINDING
(Continued)

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management of the Consortium had not established or properly implemented a proper system of internal control.

Effect

The failure to establish or properly implement effective controls enabled material misstatements to remain undetected on the SEFA as identified in the Condition.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



ST. JOSEPH COUNTY

HOUSING CONSORTIUM

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South Bend, Indiana 46601
Telephone (574) 235-5841
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CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Pam Meyer
Contact Phone Number: (574) 235-5854

Views of Responsible Official: We concur with the findings and have addressed as stated below.

Description of Corrective Action Plan:

1. Cash & Investments: The Consortium failed to document an oversight or review process over the monthly bank reconcilements.

As of 1/01/2017, the Fiscal Officer and the Controller's Office shall review and sign off on the bank reconciliation and bank statement. As of 1/01/2017, a DCI Associate enters deposits remotely.

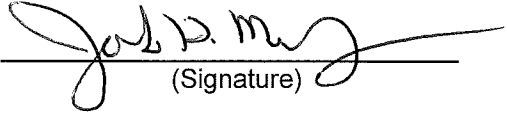
2. Receipts: The Consortium did not issue receipts for payments received. Payments received were entered into the account records based on deposits. The same person who prepared the deposit took it to the depository.

Going forward, the Consortium will use the prescribed form 352 and form 370 to track all deposits, which are received in the mail. The individual who opens the mail will update the logs/receipts and a different individual will take the deposit to the bank.

3. SEFA: The controls in place to ensure accurate reporting of federal awards were not effective. As a result, the amount reported as pass-through to sub-recipients was understated by \$806,213.

The two staff members involved did discuss this before the reporting of the original amount of \$22,000.00. Per HUD regulations and definitions, this was reported correctly. However the HUD definition of sub-recipient disagrees with the SBOA definition. The SBOA definition will be used going forward.

Anticipated Completion Date: 3/23/2017



(Signature)

City Council

(Title)

3-23-17

(Date)

ST. JOSEPH COUNTY HOUSING CONSORTIUM
EXIT CONFERENCE

The contents of this report were discussed on May 16, 2017, with John H. Murphy, Fiscal Officer; Pamela C. Meyer, Program Director; and Jennifer C. Hockenhull, Deputy Controller of the City of South Bend.