

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, 2016 to December 31, 2016



FILED
01/26/2018

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	10
Notes to Financial Statement	11-13
Other Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	16
Schedule of Payables and Receivables	17
Schedule of Capital Assets.....	18
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance	20-22
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	24
Notes to Schedule of Expenditures of Federal Awards	25
Schedule of Findings and Questioned Costs	26-31
Auditee-Prepared Document:	
Corrective Action Plan	34-37
Other Reports.....	38

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Project Director	Rise Ratney	01-01-16 to 12-31-18
Executive Director	Dr. Roland Walker	01-01-15 to 12-31-18
Fiscal Officer	M. Celita Green	01-01-16 to 02-28-18
President of the Board	Kyle W. Allen, Sr.	01-01-16 to 12-31-18



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 year ended December 31, 2016, and the related notes to the financial statement as listed in the Table of Contents.

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 from 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 to 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 year ended December 31, 2016.

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 year ended December 31, 2016, 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, and Schedule of Capital Assets, 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 January 11, 2018, 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

January 11, 2018



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 year ended December 31, 2016, and the related notes to the financial statement, and have issued our report thereon dated January 11, 2018, 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.

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 Cooperative's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001, that we consider to be a material weakness.

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

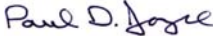
As part of obtaining reasonable assurance about whether the Cooperative's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

January 11, 2018

(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.

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16
Elimination of Disparities	\$ (24,414)	\$ 769,689	\$ 723,378	\$ 21,897
Tobacco	(13,587)	115,238	112,310	(10,659)
Healthy Start Donations	1,700	-	-	1,700
Totals	<u>\$ (36,301)</u>	<u>\$ 884,927</u>	<u>\$ 835,688</u>	<u>\$ 12,938</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. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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. Amounts received from various sources, including, but 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. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

F. Fund Accounting

Separate funds are established, maintained, and reported by the Cooperative. Each fund is used to account for amounts 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 amounts 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, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

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.

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

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.

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, 2016.

(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 Cooperative's Annual Financial Report 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, 2016

	Elimination of Disparities	Tobacco	Healthy Start Donations	Totals
Cash and investments - beginning	\$ (24,414)	\$ (13,587)	\$ 1,700	\$ (36,301)
Receipts:				
Intergovernmental receipts	769,178	115,238	-	884,416
Other receipts	511	-	-	511
Total receipts	<u>769,689</u>	<u>115,238</u>	<u>-</u>	<u>884,927</u>
Disbursements:				
Personal services	574,315	74,716	-	649,031
Supplies	12,568	723	-	13,291
Other services and charges	136,495	36,871	-	173,366
Total disbursements	<u>723,378</u>	<u>112,310</u>	<u>-</u>	<u>835,688</u>
Excess (deficiency) of receipts over disbursements	<u>46,311</u>	<u>2,928</u>	<u>-</u>	<u>49,239</u>
Cash and investments - ending	<u>\$ 21,897</u>	<u>\$ (10,659)</u>	<u>\$ 1,700</u>	<u>\$ 12,938</u>

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2016

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 2,881</u>	<u>\$ -</u>

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
SCHEDULE OF CAPITAL ASSETS
December 31, 2016

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Machinery, equipment, and vehicles	<u>\$ 21,928</u>

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 *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

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

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 year ended December 31, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-003. 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 the Uniform Guidance, 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.

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 a 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2016-002 and 2016-003, that we consider 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.

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

January 11, 2018

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2016

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	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>Department of Health and Human Services</u>					
Healthy Start Initiative	Direct Grant	93.926			
HEALTHY START			5H49MC00083-15-00	\$ -	\$ 215,865
HEALTHY START			5H49MC00083-16-00	-	553,313
Total - Department of Health and Human Services				-	769,178
Total federal awards expended				\$ -	\$ 769,178

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Cooperative under programs of the federal government for the year ended December 31, 2016. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the Cooperative, it is not intended to and does not present the financial position of the Cooperative.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The Cooperative has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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 weakness identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
93.926	Healthy Start Initiative	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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

Section II - Financial Statement Findings

FINDING 2016-001

Subject: Financial Transactions
Audit Finding: Material Weakness

Condition

There were deficiencies in the internal control system of the Cooperative related to payroll transactions. After payroll was processed by the Fiscal Agent, a Final Payroll Register was sent to the Cooperative for review to ensure accuracy, completeness, and classification of payroll expenditures. The Cooperative had not properly implemented these controls, as there was no documentation that the reviews were actually performed by the Cooperative.

Context

The lack of controls was a systemic issue throughout the audit period.

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

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. . . ."

Cause

Management of the Cooperative had not implemented a proper system of internal controls.

Effect

The failure to implement controls could have enabled material misstatements or irregularities to remain undetected.

Recommendation

We recommended that the Cooperative properly implement internal control processes to ensure that payroll transactions were accurate, complete, and properly classified.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2016-002

Subject: Healthy Start Initiative - Activities Allowed or Unallowed,
Allowable Costs/Cost Principles, Reporting

Federal Agency: Department of Health and Human Services

Federal Program: Healthy Start Initiative

CFDA Number: 93.926

Federal Award Numbers and Years (or Other Identifying Numbers): 5H49MC00083-15-00
5H49MC00083-16-00

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/
Cost Principles, Reporting

Audit Finding: Material Weakness

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

Condition

An effective internal control system was not in place at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Reporting compliance requirements.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

After biweekly payroll was processed by the Fiscal Agent, a Final Payroll Register was provided to the Cooperative's Project Director and Program Fiscal Clerk for review to ensure accuracy, completeness, and allowability of payroll expenditures. The Cooperative had not properly implemented these controls as there was no documentation that the reviews were actually performed by the Cooperative.

Reporting

The Cooperative had not properly designed an effective control system to ensure compliance with the performance Reporting compliance requirement. The performance Reporting forms H49-2 were prepared and submitted by one individual without a proper system of oversight or review.

Context

This was a systemic issue, as there was not a proper system of controls implemented for any of the compliance requirements noted above.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The Cooperative's management had not developed a system of internal controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Reporting compliance requirements.

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

Effect

The failure to establish an effective internal control system placed the Cooperative at risk of non-compliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversights, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Cooperative's management establish controls to ensure compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Reporting compliance requirements.

Views of Responsible Officials

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

FINDING 2016-003

Subject: Healthy Start Initiative - Period of Performance
Federal Agency: Department of Health and Human Services
Federal Program: Healthy Start Initiative
CFDA Number: 93.926
Federal Award Number and Year (or Other Identifying Number): 5H49MC00083-16-00
Compliance Requirement: Period of Performance
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Period of Performance compliance requirement.

The Cooperative failed to comply with the Period of Performance compliance requirement that all obligations for expenditures made from program funds were incurred and expended within the period of performance.

The underlying obligations for \$45,038 of disbursements tested were obligated between April 16, 2015, and March 31, 2016. The Period of Performance for grant award 5H49MC00083-16-00 began April 1, 2016. An authorization from the federal agency for those costs prior to the Period of Performance was not provided. When the sample errors noted above were projected to the population as a whole, additional likely errors of \$155,972 were identified.

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

Context

The Cooperative's failure to comply with the Period of Performance compliance requirement was limited to the 5H49MC00083-16-00 grant award which represents 72 percent of the expenditures of federal awards.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.71 states:

"When used in connection with a non-Federal entity's utilization of funds under a Federal award, *obligations* means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period."

2 CFR 200.77 states:

"*Period of performance* means the time during which the non-Federal entity may incur new obligations to carry out the work authorized under the Federal award. The Federal awarding agency or pass-through entity must include start and end dates of the period of performance in the Federal award (see §§200.210 Information contained in a Federal award paragraph (a)(5) and 200.331 Requirements for pass-through entities, paragraph (a)(1)(iv))."

2 CFR 200.309 states in part:

"A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance . . . and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity."

Cause

The Cooperative's management had not developed an effective system of internal controls to ensure compliance with the Period of Performance compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the Cooperative.

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

Questioned Costs

Known questioned costs of \$45,038 were identified as detailed in the *Condition*.

Recommendation

We recommended that the Cooperative's management establish controls to ensure compliance and comply with the Period of Performance compliance requirement.

Views of Responsible Officials

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

(This page intentionally left blank.)

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the Cooperative. The document is presented as intended by the Cooperative.



City Of Gary
Department of Finance

401 Broadway
Gary, Indiana 46402
(219) 881-1363 / Fax (219) 881-1340
www.gary.in.us

KAREN M. FREEMAN-WILSON
Mayor

M. CELITA GREEN
Director of Finance

MICHELE ROBY
Chief Accountant

CORRECTIVE ACTION PLAN

Section II. Financial Finding

FINDING 2016-001 – Financial Transactions
Northwest Indiana Health Department Cooperative
M. Celita Green, Fiscal Agent
Contact Phone Number: (219) 881-1363

Views of Responsible Official: Concur

Description of Corrective Action Plan:

As noted, the payroll staff does forward to each department a final payroll register reflecting the payroll transactions for each pay period. To ensure that the final payroll registers are reviewed by department heads for accuracy and completeness, we have added a line for a signature to certify that the department head has reviewed and agrees with the payroll transactions paid on the payroll register. The signed prior period register must be returned with the next pay period's transmittal.

This process was implemented on January 4, 2018. Please see attached memorandum,.

Anticipated Completion Date: Completed


(Signature)

FISCAL AGENT
(Title)

January 8, 2018
(Date)



City Of Gary
Department of Finance

KAREN M. FREEMAN-WILSON
Mayor

401 Broadway
Gary, Indiana 46402
(219) 881-1363 / Fax (219) 881-1340
www.gary.in.us

M. CELITA GREEN
Director of Finance

MICHELE ROBY
Chief Accountant

M E M O R A N D U M

TO: Dept. Heads
FROM: Celita Green, Controller
RE: Payroll Payment Confirmation

DATE: January 4, 2018

In our recent audit conducted for the year of 2016, we received a Section II- Financial Finding for Payroll. The auditors indicated that after sampling several departments for audit, they could not find any evidence that the payroll registers were being reviewed by the department head to confirm that the payroll was paid correctly. So we received an Internal Control finding.

To correct the finding, we have added a signature line on the payroll register. It requires the department head to confirm that the amounts that were paid on the current payroll, were the amounts that were authorized for the corresponding payroll transmittal. You will receive the new payroll register on Friday, when the check advices are picked up.

If the two reports agree, and the payroll register is accurate, please sign the register and return it to HR with the next pay period's transmittal. The HR department will not be able to process the next pay period's transmittal, without the signed payroll register from the previous payroll. HR will forward the previous period signed payroll register to Finance, along with the current payroll's transmittal. If there is a discrepancy, please contact Linda, the Payroll Supervisor.

Additionally, we are requesting that you please review your 2018 salary budget, and check the bi-weekly pay on the transmittal against the 2018 Council Approved budget bi-weekly pay. If there are any discrepancies, please contact Katrina, the budget Accountant.

Thank you for your assistance.

CORRECTIVE ACTION PLAN

Section III – Federal Award Findings and Questioned Costs

FINDING 2016-002

Subject: Healthy Start Initiative – Activities Allowed or Unallowed,
Allowable Costs/Cost Principles, Reporting

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

Views of Responsible Official: Concur

Description of Corrective Action Plan:

When completing reports that require data entry such as the Performance Report, the process will include three steps:

The data will be extracted from the Challenger Soft data collection system by the Director of Quality and Information and the report will be given to the Project Director

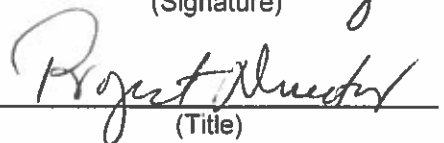
The Project Director will enter the data into the report located in the Health Resources and Services Administration (HRSA) Electronic Handbook. After the data has been entered, a copy will be printed.

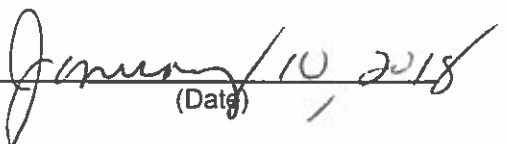
The Director of Case Management and Outreach will then compare the original report to the printed copy of what was data entered by the Project Director.

A form will be developed for each preparer and reviewer to initial and date.

Anticipated Completion Date: Spring, 2018


(Signature)


(Title)


(Date)



**City Of Gary
Department of Finance**

401 Broadway
Gary, Indiana 46402
(219) 881-1363 / Fax (219) 881-1340
www.gary.in.us

KAREN M. FREEMAN-WILSON
Mayor

M. CELITA GREEN
Director of Finance

MICHELE ROBY
Chief Accountant

CORRECTIVE ACTION PLAN

FINDING 2017-3 – Healthy Start Initiative – Period of Performance

Federal Award 5H49mc0083-16-00

Contact Person Responsible for Corrective Action: Celita Green, Fiscal Agent and Rise Ratney, Director
Contact Phone Number: (219) 881-1363 and (219) 886-0028

Views of Responsible Official: Concur

Description of Corrective Action Plan:

Additional training will be given to the Fiscal Clerk and the Grant Administrator to review invoices for period of performance versus period of availability. An explanation will be provided to vendors informing them that unless invoices are submitted within 30 days of the services rendered, payment may be jeopardized if the claim is submitted during a different period of availability.

The Fiscal Clerk will write the grant period on the claim to draw immediate attention to the period for which the invoice is applied, and the Grant Administrator will circle that period when the claim is reviewed. Any claims submitted for a different grant period will be returned by the Grant Administrator to the Fiscal Clerk to attempt to resolve.

All request for draw-downs will also reflect the grant period.

Anticipated Completion Date: January 31, 2018


(Signature)

Fiscal Agent
(Title)

01/10/2018
(Date)

OTHER REPORTS

In addition to this report, other reports may have been issued for the Cooperative. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.