

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

NORTHWEST INDIANA HEALTH
DEPARTMENT COOPERATIVE
LAKE COUNTY, INDIANA

January 1, 2016 to December 31, 2016



FILED
01/26/2018

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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

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

This report is supplemental to our audit report of the Northwest Indiana Health Department Cooperative (Cooperative), for the period from January 1, 2016 to December 31, 2016. 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 Cooperative. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the Cooperative, which provides our opinions on the Cooperative's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are 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 Findings 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

January 11, 2018

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
FEDERAL 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.

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.

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

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

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.

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
FEDERAL FINDINGS
(Continued)

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.

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

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
FEDERAL FINDINGS
(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 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.

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))."

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
FEDERAL FINDINGS
(Continued)

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.

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.



City Of Gary
Department of Finance

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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

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M. CELITA GREEN
Director of Finance

MICHELE ROBY
Chief Accountant

KAREN M. FREEMAN-WILSON
Mayor

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

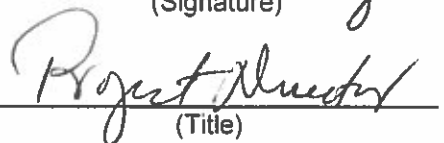
The Project Director will enter the data into the report located in the Health Resources and Services Administration (HRSA) Electronic Handbook. After the data has been entered, a copy will be printed.

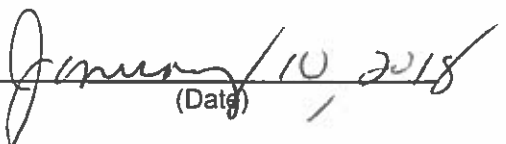
The Director of Case Management and Outreach will then compare the original report to the printed copy of what was data entered by the Project Director.

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

Anticipated Completion Date: Spring, 2018


(Signature)


(Title)


(Date)



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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)

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
AUDIT RESULT AND COMMENT

ADOPTION OF AND TRAINING ON INTERNAL CONTROLS STANDARDS

The Cooperative failed to adopt internal control standards and provide training to personnel over the internal control standards as required by Indiana Code 5-11-1-27(g).

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE AUDIT RESULTS AND COMMENTS

Adoption of and Training On Internal Controls Standards

The Northwest Indiana Health Department Cooperative Board adopted the City of Gary's Internal Control Standards on October 12, 2017.

The appropriate personnel will be attending the training session for Internal Controls Standards that is scheduled for February, 2018

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
EXIT CONFERENCE

The contents of this report were discussed on January 11, 2018, with Rise Ratney, Project Director; M. Celita Green, Fiscal Officer; Kyle W. Allen, Sr., President of the Board; and Janita Byrd, Grant Administrator.