

**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, 2016 to December 31, 2016



**FILED**  
03/08/2018



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### SCHEDULE OF OFFICIALS

| <u>Office</u>      | <u>Official</u>  | <u>Term</u>  |
|--------------------|--|--|
| Fiscal Officer     | John H. Murphy<br>Jennifer C. Hockenhull               | 01-01-16 to 07-24-17<br>07-25-17 to 12-31-18                         |
| Chair of the Board | Donald F. Fozo<br>Brian Pawlowski<br>Suzanna Fritzberg | 01-01-16 to 09-20-16<br>09-21-16 to 04-25-17<br>04-26-17 to 12-31-18 |
| Program Director   | Pamela C. Meyer  | 01-01-16 to 12-31-18   |



**STATE OF INDIANA**  
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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, 2016 to December 31, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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/](http://www.in.gov/sboa/).

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

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

January 22, 2018

ST. JOSEPH COUNTY HOUSING CONSORTIUM  
FEDERAL FINDINGS

***FINDING 2016-001***

Subject: Financial Transactions and Reporting  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat finding from the immediate prior audit regarding Cash and Investments and Receipts. The prior audit finding number was 2015-001.

*Condition*

There were deficiencies in the internal control system of the Consortium related to Financial Transactions and Reporting for Cash and Investments and Receipts.

*Cash and Investments*

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

*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.

*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. . . ."

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes:

- Accurate and timely recording of transactions. . . ."

ST. JOSEPH COUNTY HOUSING CONSORTIUM  
FEDERAL FINDINGS  
(Continued)

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

*Cause*

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

*Effect*

The failure to establish controls enabled noncompliance with receipt issuance and could have enabled misstatements or irregularities to remain undetected.

*Recommendation*

We recommended that the Consortium's management establish controls, including segregation of duties, to ensure that receipts are issued and that Financial Transactions and Reporting are accurate.

*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: HOME Investment Partnerships Program - Reporting

Federal Agency: Department of Housing and Urban Development

Federal Program: HOME Investment Partnerships Program

CFDA Number: 14.239

Federal Award Numbers and Years (or Other Identifying Numbers): M-11-DC-180208, M-12-DC-180208,  
M-13-DC-180208, M-14-DC-180208,  
M-15-DC-180208, M-16-DC-180208

Compliance Requirement: Reporting

Audit Finding: Material Weakness

*Condition*

An effective internal control system was not in place at the Consortium in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. The 60002 Section 3 Summary Report was prepared by one employee without evidence of a review or approval of the financial information before preparation of the report on the Department of Housing and Urban Development (HUD) website. The report was prepared in the SPEARS software system which did not allow for someone to review after preparation, but before submission. HUD reviewed the report after submission.

*Context*

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

ST. JOSEPH COUNTY HOUSING CONSORTIUM  
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 Consortium's management had not developed a system of internal controls that would have segregated key functions.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the Consortium's management establish controls, including segregation of duties, to ensure compliance with the Reporting compliance requirement.

*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

## CORRECTIVE ACTION PLAN

227 W. Jefferson Blvd. Suite 1400S  
South Bend, Indiana 46601  
Telephone (574) 235-5841  
FAX (574) 235-9021

### FINDING 2016-001 AND 002

Contact Person Responsible for Corrective Action: Pamela C. Meyer  
Contact Phone Number: 574-235-5845

#### Views of Responsible Official:

We understand the findings and have already begun work on both.

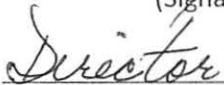
#### Description of Corrective Action Plan:

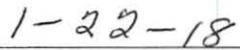
**Finding 2016-001 Repeat Finding:** This finding is due to the timing of the audit. Based on the 2015 audit and this same finding, a revised process is already in place to record the receipt of deposits received through the mail. All are tracked and recorded in the form of a written register. Additionally, the monthly statements are being reviewed by both the Director of Finance and the Controller.

**Finding 2016-002:** Contact has been made with the HUD Field Office and our CPD Representative to inquire as to HUD's guidance on this issue. As stated in the finding there is nothing in the SPEARS system that allows for a review to be noted. We will follow HUD's guidance, but at a minimum will keep record of a review by the Consortium Director, of the Form 60002 and its documentation in advance of the annual submission.

Anticipated Completion Date: Finding 2016-001 is already in place and Finding 2016-002 will begin with the 2018 submission.

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

ST. JOSEPH COUNTY HOUSING CONSORTIUM  
EXIT CONFERENCE

The contents of this report were discussed on January 22, 2018, with Pamela C. Meyer, Program Director; Jennifer C. Hockenhull, Fiscal Officer; and Suzanna Fritzberg, Chair of the Board.