

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

ST. JOSEPH COUNTY HOUSING CONSORTIUM  
ST. JOSEPH COUNTY, INDIANA

January 1, 2017 to December 31, 2017



**FILED**  
08/31/2018



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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 | 01-01-17 to 07-24-17<br>07-25-17 to 12-31-18 |
| Chairman of the Consortium Board | Brian Pawlowski<br>Suzanna Fritzberg     | 01-01-17 to 04-25-17<br>04-26-17 to 12-31-18 |
| Program Director                 | Pamela C. Meyer                          | 01-01-17 to 12-31-18                         |



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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statement**

We have audited the accompanying financial statement of the St. Joseph County Housing Consortium (Consortium), which comprises the financial position and results of operations for the year ended December 31, 2017, 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 Consortium'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 Consortium'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 Consortium 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 Consortium for the year ended December 31, 2017.

***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 Consortium for the year ended December 31, 2017, 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 Consortium'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.

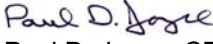
*Other Information*

Our audit was conducted for the purpose of forming an opinion on the Consortium's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the financial statement. It has not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on it.

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 August 20, 2018, on our consideration of the Consortium'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 solely 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 effectiveness of the Consortium's 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 Consortium's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

August 20, 2018



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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 ST. JOSEPH COUNTY HOUSING  
CONSORTIUM, ST. JOSEPH 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 St. Joseph County Housing Consortium (Consortium), which comprises the financial position and results of operations for the year ended December 31, 2017, and the related notes to the financial statement, and have issued our report thereon dated August 20, 2018, wherein we noted the Consortium 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 Consortium'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 Consortium's internal control. Accordingly, we do not express an opinion on the effectiveness of the Consortium'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 Consortium'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

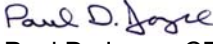
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Consortium'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*.

**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 Consortium'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 Consortium's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

August 20, 2018

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the Consortium. The financial statement and notes are presented as intended by the Consortium.

ST. JOSEPH COUNTY HOUSING CONSORTIUM  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

| Fund         | Cash and<br>Investments<br>01-01-17 | Receipts            | Disbursements       | Cash and<br>Investments<br>12-31-17 |
|--------------|-------------------------------------|---------------------|---------------------|-------------------------------------|
| General Fund | <u>\$ 251,635</u>                   | <u>\$ 1,469,822</u> | <u>\$ 1,546,198</u> | <u>\$ 175,259</u>                   |

The notes to the financial statement are an integral part of this statement.

ST. JOSEPH COUNTY HOUSING CONSORTIUM  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The Consortium was established under the laws of the State of Indiana. The Consortium operates under a governing board.

The accompanying financial statement presents the financial information for the Consortium.

*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.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

ST. JOSEPH COUNTY HOUSING CONSORTIUM  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*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.

*Other disbursements.* Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Fund Accounting*

Separate funds are established, maintained, and reported by the Consortium. 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 Consortium. 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 Consortium 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. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Consortium submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. 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 Consortium 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 4. Risk Management**

The Consortium has no capital assets or employees.

#### OTHER INFORMATION - UNAUDITED

The Consortium's Annual Financial Report information can be found on the Indiana Gateway for Government Units 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 Consortium'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 Consortium. It is presented as intended by the Consortium.

ST. JOSEPH COUNTY HOUSING CONSORTIUM  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2017

|   | General<br>Fund          |
|---|--------------------------|
| Cash and investments - beginning                      | <u>\$ 251,635</u>        |
| Receipts:   |                          |
| Intergovernmental receipts                            | 1,362,224                |
| Other receipts  | <u>107,598</u>           |
| Total receipts  | <u>1,469,822</u>         |
| Disbursements:  |                          |
| Personal services                                     | 16,634                   |
| Other disbursements                                   | <u>1,529,564</u>         |
| Total disbursements                                   | <u>1,546,198</u>         |
| Excess (deficiency) of receipts over<br>disbursements | <u>(76,376)</u>          |
| Cash and investments - ending                         | <u><u>\$ 175,259</u></u> |

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

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

**Report on Compliance for the Major Federal Program**

We have audited the St. Joseph County Housing Consortium's (Consortium) 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, 2017. The Consortium'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 Consortium'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 Consortium'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 Consortium's compliance.

***Basis for Qualified Opinion on the HOME Investment Partnerships Program***

As described in item 2017-001 in the accompanying Schedule of Findings and Questioned Costs, the Consortium did not comply with requirements regarding Subrecipient Monitoring that are applicable to its HOME Investment Partnerships Program. Compliance with such requirement is necessary, in our opinion, for the Consortium to comply with requirements applicable to that program.

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

***Qualified Opinion on the HOME Investment Partnerships Program***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the HOME Investment Partnerships Program* paragraph, the Consortium complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the HOME Investment Partnerships Program for the year ended December 31, 2017.

***Other Matters***

The Consortium's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Consortium'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 Consortium 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 Consortium'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 Consortium'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 a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider to be a material weakness.

The Consortium's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Consortium'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

August 20, 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 Consortium. The schedule and notes are presented as intended by the Consortium.

ST. JOSEPH COUNTY HOUSING CONSORTIUM  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2017

| Federal Grantor Agency<br>Cluster Title/Program Title/Project Title | Pass-Through Entity or Direct Grant | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Passed Through<br>to Subrecipient | Total<br>Federal Awards<br>Expended |
|---|-------------------------------------|---------------------------|--|-----------------------------------|-------------------------------------|
| <u>Department of Housing and Urban Development</u>                  |                                     |                           |  |                                   |                                     |
| HOME Investment Partnerships Program                                | Direct grant                        | 14.239                    |  |                                   |                                     |
| St. Joseph County Housing Consortium                                |                                     |                           | M-12-DC-18-0208  | \$ 209,614                        | \$ 209,614                          |
| St. Joseph County Housing Consortium                                |                                     |                           | M-13-DC-18-0208  | 97,890                            | 97,890                              |
| St. Joseph County Housing Consortium                                |                                     |                           | M-14-DC-18-0208  | 425,228                           | 425,228                             |
| St. Joseph County Housing Consortium                                |                                     |                           | M-15-DC-18-0208  | 496,498                           | 496,498                             |
| St. Joseph County Housing Consortium                                |                                     |                           | M-16-DC-18-0208  | <u>116,360</u>                    | <u>132,994</u>                      |
| Total - HOME Investment Partnerships Program                        |                                     |                           |  | <u>1,345,590</u>                  | <u>1,362,224</u>                    |
| Total - Department of Housing and Urban Development                 |                                     |                           |  | <u>1,345,590</u>                  | <u>1,362,224</u>                    |
| Total federal awards expended                                       |                                     |                           |  | <u>\$ 1,345,590</u>               | <u>\$ 1,362,224</u>                 |

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

ST. JOSEPH COUNTY HOUSING CONSORTIUM  
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 Consortium under programs of the federal government for the year ended December 31, 2017. 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 Consortium, it is not intended to and does not present the financial position of the Consortium.

**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 Consortium has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

ST. JOSEPH COUNTY HOUSING CONSORTIUM  
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 weaknesses identified?                      | no  |
| Significant deficiencies identified?                 | none reported   |
| Noncompliance material to financial statement noted? | no  |

Federal Awards:

|  |               |
|--|---------------|
| Internal control over major program:   |               |
| Material weakness identified?  | yes           |
| Significant deficiencies 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<br/>Number</u> | <u>Name of Federal Program or Cluster</u> | <u>Opinion<br/>Issued</u> |
|------------------------|---|---------------------------|
| 14.239                 | HOME Investment Partnerships Program      | Qualified                 |

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**

No matters are reportable.

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2017-001**

Subject: HOME Investment Partnerships Program - Subrecipient Monitoring  
 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-12-DC-18-0208, M-13-DC-18-0208  
 M-14-DC-18-0208, M-15-DC-18-0208  
 M-16-DC-18-0208

Compliance Requirement: Subrecipient Monitoring  
 Audit Findings: Material Weakness, Modified Opinion

ST. JOSEPH COUNTY HOUSING CONSORTIUM  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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 subrecipient monitoring requirements.

The Consortium administered all Department of Housing and Urban Development Grants, which included monitoring subrecipients. The Consortium did not comply with the subrecipient monitoring requirement to ensure that its subrecipients complied with federal requirements in a timely manner. The Consortium relied on desktop monitoring to ensure its subrecipients' compliance with the requirements during the grant period. This consisted of reviewing reimbursement claims and the attached supporting documentation submitted by the subrecipients. The supporting documentation provided to the Consortium was not sufficient to ensure that the subrecipients paid for services prior to requesting reimbursement from the Consortium in compliance with the cash management portion of the subrecipient monitoring requirement.

*Context*

The lack of controls and the noncompliance were systemic issues throughout the audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

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). . . ."

24 CFR 85.40(a) states:

"*Monitoring by grantees.* Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

ST. JOSEPH COUNTY HOUSING CONSORTIUM  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.331(d) states:

"Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

1. Reviewing financial and performance reports required by the pass-through entity.
2. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
3. Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by § 200.521 Management decision."

Housing Consortium Program Contracts - Fiscal and Administrative Responsibilities states in part:

"Documentation of Costs.

All costs shall be supported by properly executed payrolls, time records, invoices, contracts, or other official documentation evidencing in proper detail the nature and proprietary of charges. All checks, payrolls, invoices, contracts, vouchers, orders, or other accounting documents pertaining in whole or in part to this contract shall be clearly identified and readily accessible.

Restriction on Disbursements.

1. The Contractor may not request disbursement of funds under this Contract until the funds are needed for payment of eligible costs. The amount of request must be limited to amount needed.
2. No money under this Contract shall be disbursed by the Contractor to any contractor except pursuant to a written contract which incorporates the applicable requirements of this Contract and HUD regulations and HUD unless the contractor is in compliance with HUD requirements for applicable accounting and fiscal matters."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the subrecipient monitoring requirements.

*Effect*

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

ST. JOSEPH COUNTY HOUSING CONSORTIUM  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the Consortium's management establish controls to ensure compliance and to comply with the Subrecipient Monitoring compliance requirement.

*Views of Responsible Officials*

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

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#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the Consortium. The documents are presented as intended by the Consortium.



ST. JOSEPH COUNTY

HOUSING CONSORTIUM

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2016-001**

Fiscal year in which the finding initially occurred: 2016  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A  
Contact Person Responsible for Corrective Action: Pam C. Meyer  
Contact Phone Number: 574-235-5845

Status of Audit Finding: **Finding 2016-001** This finding was due to the timing of the audit and has been corrected. Based on the 2015 audit and this same finding, a revised process has been implemented 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.

Pamela C. Meyer  
(Signature)

Director  
(Title)

8-2-18  
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



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### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

#### **FINDING 2016-002**

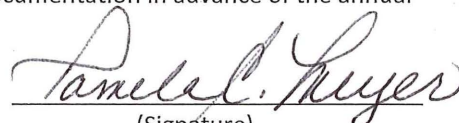
Fiscal year in which the finding initially occurred: 2016

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Housing and Urban Development


Contact Person Responsible for Corrective Action: Pam C. Meyer

Contact Phone Number: 574-235-5845

Status of Audit Finding: **Finding 2016-002:** This finding has been corrected. Contact was 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 discussed and implemented keeping record of a review by the Consortium Director, of the Form 60002 and its documentation in advance of the annual submission. Initials and date of review in file.

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

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

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

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)



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### CORRECTIVE ACTION PLAN

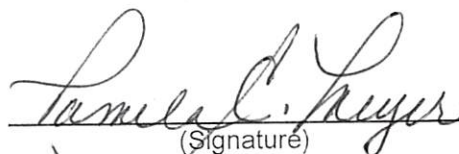
#### *FINDING 2017-001*

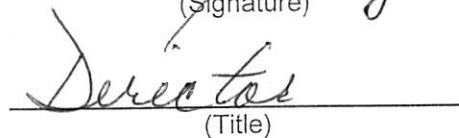
Contact Person Responsible for Corrective Action: Pamela C. Meyer  
Contact Phone Number: (574) 235-5845

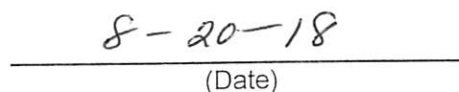
Views of Responsible Official: The Consortium/City concurs in part with this finding.

Description of Corrective Action Plan: While the Consortium/City uses desk top monitoring, it also does on site monitoring annually. The issue of documenting that sub-recipients paid for services prior to requesting reimbursement has been/is being addressed as of January 1, 2018. New language in the scope of services part of the HOME contract provides the sub-recipient one of two options in terms of required documentation to be included with all claims. Claims will not be paid unless the documentation is provided.

Anticipated Completion Date: January 1, 2018

  
(Signature)

  
(Title)

  
(Date)

#### OTHER REPORTS

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