

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, 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 Jennifer C. Hockenhull	01-01-17 to 07-24-17 07-25-17 to 12-31-18
Chairman of the Consortium Board	Brian Pawlowski Suzanna Fritzberg	01-01-17 to 04-25-17 04-26-17 to 12-31-18
Program Director	Pamela C. Meyer	01-01-17 to 12-31-18



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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, 2017 to December 31, 2017. 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/.

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

August 20, 2018

ST. JOSEPH COUNTY HOUSING CONSORTIUM
FEDERAL FINDING

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

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). . . ."

ST. JOSEPH COUNTY HOUSING CONSORTIUM
FEDERAL FINDING
(Continued)

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."

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.

ST. JOSEPH COUNTY HOUSING CONSORTIUM
FEDERAL FINDING
(Continued)

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.

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.



ST. JOSEPH COUNTY

HOUSING CONSORTIUM

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CORRECTIVE ACTION PLAN

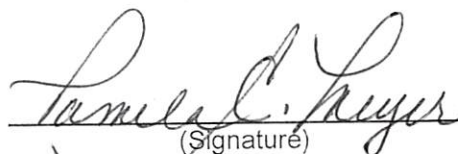
FINDING 2017-001

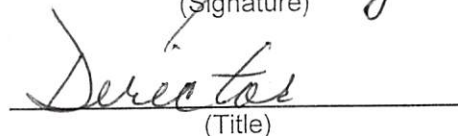
Contact Person Responsible for Corrective Action: Pamela C. Meyer
Contact Phone Number: (574) 235-5845

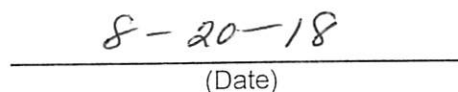
Views of Responsible Official: The Consortium/City concurs in part with this finding.

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)

ST. JOSEPH COUNTY HOUSING CONSORTIUM
EXIT CONFERENCE

The contents of this report were discussed on August 20, 2018, with Jennifer C. Hockenull, Fiscal Officer; Pamela C. Meyer, Program Director; and James Mueller, Consortium Board member.