

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, 2018 to December 31, 2018



FILED

07/30/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Fiscal Officer	Jennifer C. Hockenhull (Vacant) Daniel Parker	01-01-18 to 10-23-18 10-24-18 to 12-09-18 12-10-18 to 12-31-19
Chairman of the Consortium Board	Suzanna Fritzberg Laura O'Sullivan	01-01-18 to 03-14-19 03-15-19 to 12-31-19
Program Director	Pamela C. Meyer	01-01-18 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2018 to December 31, 2018. 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

July 9, 2019

ST. JOSEPH COUNTY HOUSING CONSORTIUM
FEDERAL FINDINGS

FINDING 2018-001

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

Condition

There were deficiencies in the internal control system of the Consortium related to financial transactions and reporting. The Consortium had not separated incompatible activities related to financial reporting. Control procedures established over receipts and vendor disbursements were not effective to prevent or detect errors in recording financial transactions.

Financial Reporting

The Consortium had no documented controls over financial reporting. There was no documented review of the information entered into the Indiana Gateway for Government Units financial reporting system prior to submission, which was the source for the Consortium's financial statement.

Recording Financial Transactions

The Consortium had established controls over receipts and vendor disbursements; however, these controls were not effective to prevent or detect errors in recording financial transactions. The financial software ledger maintained by the Consortium had variances when compared to the receipts, disbursements, and cash and investment balances reported on the financial statements. Incorrect information was recorded in the ledger, such as receipt numbers, check numbers, dates, payees, and amounts. In total, the receipts and disbursements agreed to the supporting documentation; however, the supporting documentation did not agree to what was recorded in the ledger.

Context

The lack of internal controls and the noncompliance were systemic issues throughout the audit period. Payments to vendors were incorrectly recorded in the ledger by as much as \$164,063.

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. . . .

ST. JOSEPH COUNTY HOUSING CONSORTIUM
FEDERAL FINDINGS
(Continued)

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. . . ."

Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1, states in part:

"Condition of Records

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee.

Correction of Errors

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction."

Cause

Management of the Consortium had not established a proper system of internal control that would have ensured proper recording and reporting of financial transactions.

Effect

The failure to establish controls enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the Consortium establish a system of internal controls to ensure accurate recording and reporting of financial transactions.

Views of Responsible Officials

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

FINDING 2018-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

ST. JOSEPH COUNTY HOUSING CONSORTIUM
FEDERAL FINDINGS
(Continued)

Condition

The Consortium did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The Consortium failed to properly review the federal grant information prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which was the source of the SEFA. An adequate system of oversight was not established to detect and correct errors before submission.

Context

Due to the lack of effective internal controls, the following errors resulted in the overstatement of the Federal Awards Expended on the SEFA:

1. The Home Investment Partnerships Program passed through to subrecipient was materially overstated by \$188,668.
2. The Home Investment Partnerships Program total federal awards expended was materially overstated by \$1,170,418.

Audit adjustments were proposed, accepted by the Consortium, and made to the SEFA.

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)

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within a cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

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

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the Consortium establish controls to ensure that federal expenditures will be properly reported on the SEFA.

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 2018-001 (Auditor Assigned Reference Number)

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

Views of Responsible Official: The Consortium concurs with the finding.

Description of Corrective Action Plan:

The Grant Administrator and the Financial Specialist will coordinate their review of each others submissions, on a monthly basis. This will offer the opportunity to correct any errors in the recording of transactions.

Gateway information will be prepared by the Grant Administrator and then reviewed, marked with initials and dated by the Director of Administration and Finance. The Grant Administrator will keep this in the file for documentation purposes.

Anticipated Completion Date: Ongoing

Pamela C. Meyer

(Signature)

Director

(Title)

7-9-19

(Date)



ST. JOSEPH COUNTY

HOUSING CONSORTIUM

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CORRECTIVE ACTION PLAN

FINDING 2018-002

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

Views of Responsible Official: The Consortium concurs with this finding.

Description of Corrective Action Plan:

Going forward Program income and insurance figures will be excluded from the SEFA to be consistent with past years. Additionally, the SEFA total amount of Federal Awards Expended will be only that amount received from HUD and will not include program income or any disbursements to sub-recipients.

The amount of funds noted as Pass thru to Sub-recipients will include amounts paid to a sub-recipient, excluding the Admin to the City.

The SEFA will be prepared by the Grant Administrator and then reviewed, marked with initials and dated by the City Controller. The Grant Administrator will keep this in the file for documentation purposes.

Anticipated Completion Date: Ongoing

Pamela C. Meyer
(Signature)

Director
(Title)

7-9-19
(Date)

ST. JOSEPH COUNTY HOUSING CONSORTIUM
EXIT CONFERENCE

The contents of this report were discussed on July 9, 2019, with Daniel Parker, Fiscal Officer; Pamela C. Meyer, Program Director; and Laura O'Sullivan, Chairman of the Consortium Board.