

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE

LAKE COUNTY, INDIANA

January 1, 2017 to December 31, 2020



FILED
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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Project Director	Risë Ratney	01-01-17 to 12-31-22
Executive Director	Dr. Roland Walker	01-01-17 to 12-31-22
Fiscal Officer	M. Celita Green	01-01-17 to 02-28-18
	Angelia Hayes	03-01-18 to 03-31-20
	Arlene Colvin	04-01-20 to 04-28-21
	Mileak Harper	04-29-21 to 12-31-22
President of the Board	Kyle W. Allen, Sr.	01-01-17 to 12-31-22



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of the Northwest Indiana Health Department Cooperative (Cooperative), for the period of January 1, 2017 to December 31, 2020. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Cooperative's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a regulatory 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 comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This includes determining that the basis of accounting the Cooperative uses is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements whether due to fraud or error.

Accountant's Responsibilities

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Cooperative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT
(Continued)

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with 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 comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.



Beth Kelley, CPA, CFE
Deputy State Examiner

August 24, 2022

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2017 and 2018

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17	Receipts	Disbursements	Cash and Investments 12-31-18
NWIHCBI	\$ -	\$ 28,744	\$ -	\$ 28,744	\$ 25,000	\$ 50,735	\$ 3,009
Elimination of Disparities	21,897	632,565	603,598	50,864	496,040	574,832	(27,928)
TOBACCO	(10,659)	72,629	124,354	(62,384)	169,848	124,629	(17,165)
Healthy Start Donations	<u>1,700</u>	<u>-</u>	<u>-</u>	<u>1,700</u>	<u>-</u>	<u>-</u>	<u>1,700</u>
Totals	<u>\$ 12,938</u>	<u>\$ 733,938</u>	<u>\$ 727,952</u>	<u>\$ 18,924</u>	<u>\$ 690,888</u>	<u>\$ 750,196</u>	<u>\$ (40,384)</u>

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

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2019 and 2020

Fund	Cash and Investments 01-01-19	Receipts	Disbursements	Cash and Investments 12-31-19	Receipts	Disbursements	Cash and Investments 12-31-20
NWIHCBI	\$ 3,009	\$ 25,000	\$ -	\$ 28,009	\$ -	\$ -	\$ 28,009
Elimination of Disparities	(27,928)	456,370	413,277	15,165	-	1,412	13,753
TOBACCO	(17,165)	103,162	127,917	(41,920)	151,051	140,567	(31,436)
Healthy Start Donations	1,700	1,250	-	2,950	-	-	2,950
Infant Mortality Grant	-	-	-	-	14,700	17,640	(2,940)
Totals	\$ (40,384)	\$ 585,782	\$ 541,194	\$ 4,204	\$ 165,751	\$ 159,619	\$ 10,336

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

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying financial statements present the financial information for the Cooperative.

B. Basis of Accounting

The financial statements are 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 statements. 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 statements. The aggregate disbursements include the following uses:

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(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.

Supplies. Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

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. Interfund Transfers

The Cooperative may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Cooperative. 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 Cooperative. 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 Cooperative 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. 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 Cooperative 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.

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 3. Risk Management

The Cooperative may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the Cooperative to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 4. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund Defined Benefit Plan (PERF DB) is a cost-sharing multiple-employer defined benefit plan and provides retirement, disability, and survivor benefits to plan members. PERF DB is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the Cooperative authority to contribute to the plan.

The Public Employees' Hybrid Plan (PERF Hybrid) consists of two components: PERF DB, the employer-funded monthly defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account, the defined contribution component.

The Retirement Savings Plan for Public Employees (My Choice) is a multiple-employer defined contribution plan. It is administered through the INPRS Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the Cooperative authority to contribute to the plan.

New employees hired have a one-time election to join either the PERF Hybrid or the My Choice.

Financial Report

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (844) 464-6777

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Contributions

Members' contributions are set by state statute at 3 percent of compensation for both the defined contribution component of PERF Hybrid and My Choice. The employer may elect to make the contribution on behalf of the member of the defined contribution component of PERF Hybrid and My Choice members may receive additional employer contribution in lieu of the PERF DB. Contributions to the PERF DB are determined by INPRS Board based on actuarial valuation.

The Cooperative no longer has employees covered by the Public Employees' Retirement Fund as of December 2019.

Note 5. Cash Balance Deficits

The financial statements contain some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the Cooperative were not received by December 31, 2017, 2018, 2019, and 2020.

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
REVIEW RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

Condition and Context

The financial statements presented included the Tobacco fund with an overdrawn cash balance of \$62,384, \$17,165, \$41,920, and \$31,436 as of December 31, 2017, 2018, 2019, and 2020, respectively, which was not attributed to the timing of reimbursements.

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

The Cooperative's financial activity was not properly or timely reconciled to the bank account balances for 2018, 2019, or 2020.

Criteria

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

COMPENSATION AND BENEFITS

Condition and Context

Board approved salary schedules or resolutions were not provided, so alternative procedures were performed to substantiate employees' pay. A test of ten payroll checks noted the following:

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
REVIEW RESULTS AND COMMENTS
(Continued)

- Four pay rates were not in agreement with auditor determined pay rates, which were based on prior audit documentation.
- Time records for six employees were not provided for audit.
- Ten payroll claims/time records were not approved by the appropriate official or department head or the fiscal officer.

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)



JEROME A. PRINCE
Mayor

TRENT A. MCCAIN
Deputy Mayor

CITY OF GARY
Department of Finance

401 Broadway
Gary, Indiana 46402
Phone (219) 881-1346 – Fax (219) 882-2320

Mileak L. Harper
City Controller

Yvette Barker
Deputy Controller

OFFICIAL RESPONSE

September 2, 2022

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re: Official Responses to Northwest Indiana Health Department Cooperative Audit Comments:

OVERDRAWN CASH BALANCES

The City acknowledges it has overdrawn cash balances in funds. The financial statements presented included the Tobacco fund with an overdrawn cash balance of \$62,384, \$17,165, \$41,920, and \$31,436 as of December 31, 2017, 2018, 2019, and 2020, respectively, which was not attributed to the timing of reimbursements.

The City plans to charge these overdrawn balances to the general fund by December 31, 2023, at least to the extent there is available fund balance in the general fund.

BANK ACCOUNT RECONCILIATIONS

The City acknowledges it has Bank Account Reconciliations that was not completed. The Cooperative's financial activity was not properly or timely reconciled for 2018, 2019, or 2020 to the bank account balances.

The City anticipates having the reconciliation of its bank statement balances with its accounting software balances be brought current by the end of 2023. This is a large task due to the sheer number of bank accounts, large number and amount of prior bank transfers not properly made and the number of transactions that have occurred, it will take time to do.



JEROME A. PRINCE
Mayor

TRENT A. MCCAIN
Deputy Mayor

CITY OF GARY
Department of Finance

401 Broadway
Gary, Indiana 46402
Phone (219) 881-1346 – Fax (219) 882-2320

Mileak L. Harper
City Controller

Yvette Barker
Deputy Controller

COMPENSATION AND BENEFITS

The City acknowledges the Compensation and Benefits. Board approved salary schedules or resolutions were not provided so alternative procedures were performed to substantiate employees' pay. A test of ten payroll checks noted the following:

1. Four pay rates were not in agreement with auditor determined pay rates, which were based on prior audit documentation.
2. Time records for six employees were not provided for audit.
3. Ten payroll claims/time records were not approved by the appropriate official or department head or the fiscal officer.

The City anticipates addressing the concerns of Compensation and Benefits by March 2023. We are continuing to work on prioritizing processes in a timely manner and insuring that all compensation and benefits are approved by the Board.

Respectfully Submitted,

Mileak Harper

Mileak Harper
City Controller

NORTHWEST INDIANA HEALTH DEPARTMENT COOPERATIVE
EXIT CONFERENCE

The contents of this report were discussed on August 24, 2022, with Risë Ratney, Project Director; Mileak Harper, Fiscal Officer; Kyle W. Allen, Sr., President of the Board; and M. Celita Green, former Fiscal Officer.