

**MELISSA B PETERSEN, CPA LLC**

**CERTIFIED PUBLIC ACCOUNTANT**



**St. Croix Chippewa Housing Authority**

**AUDITED FINANCIAL STATEMENTS AND  
OMB A-133 SINGLE AUDIT**

**March 31, 2014**

**MELISSA B. PETERSEN, CPA LLC**  
**CERTIFIED PUBLIC ACCOUNTANT**



**St. Croix Chippewa Housing Authority**

**March 31, 2014**

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**St. Croix Chippewa Housing Authority**  
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**March 31, 2014**

Private & Confidential Communication:

SAS 114 Transmittal Letter – Communication to Board of Commissioners

# MELISSA B PETERSEN, CPA LLC

## CERTIFIED PUBLIC ACCOUNTANT



### Independent Auditor's Report

Board of Commissioners  
St. Croix Chippewa Housing Authority  
Webster, Wisconsin

#### Report on the Financial Statements

We have audited the accompanying financial statements of the St. Croix Chippewa Housing Authority,( the Housing Authority) , as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements 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 *Governmental 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 statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of significant accounting estimate made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained to be sufficient and appropriate to provide a basis for our audit opinions.

# MELISSA B PETERSEN, CPA LLC

## CERTIFIED PUBLIC ACCOUNTANT

### Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority as March 31, 2014, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require the management's discussion and analysis presented on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who consider it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquires of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the Housing Authority.

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 statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statements themselves, 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 basic financial statements taken as a whole.

# MELISSA B PETERSEN, CPA LLC

## CERTIFIED PUBLIC ACCOUNTANT

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014, on our consideration of the Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Housing Authority's internal control over financial reporting and compliance.

*Melissa B Petersen*

Melissa B. Petersen, CPA LLC  
Grand Rapids, Michigan  
December 17, 2014

St. Croix Chippewa Housing Authority  
(A Component Unit of the St. Croix Chippewa Tribe of Wisconsin)

Management's Discussion and Analysis  
March 31, 2014

As management of the Housing Authority, we offer readers of the Housing Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal period ended March 31, 2014. We encourage readers to consider the information presented here in conjunction with the Housing Authority's financial statements, which begin on page 7.

## **FINANCIAL HIGHLIGHTS**

Operating revenues for the Housing Authority were \$2,502,377, for 2014, which represented a 12 percent increase from 2013. Expenses for the Authority were \$3,072,348 for 2014, which represented an increase of 19 percent. The Housing Authority receives an Indian Housing Block Grant annually from the United States Department of Housing and Urban Development. This grant comprises a majority of the Housing Authority's operating funds each year. During the year ended March 31, 2014, the Housing Authority received \$1,418,829 for operations and maintaining their units.

The assets of the Authority exceeded the liabilities as of March 31, 2014, by \$8,118,269. The Housing Authority had a decrease in net position of \$314,103 for 2014. The Housing Authority continues to operate without the need for debt borrowings during the current fiscal year.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements included in this annual report are those of a special-purpose government engaged only in a business-type activity. The following statements are included:

- The Statement of Net Position reports on the Authority's current financial resources (short-term spendable resources) along with capital assets and long-term debt obligations.
- The Statement of Revenues, Expenses and Changes in Net Position reports the Housing Authority's operating and nonoperating revenues, by major source, along with operating and nonoperating expenses and capital contributions.
- The Statement of Cash Flows reports the Housing Authority's cash flows from operating, investing, and capital and noncapital financing activities.

## **BASIC FINANCIAL STATEMENTS**

The financial statements were presented using the accrual basis of accounting. The Housing Authority operates in a manner similar to that of a private sector in the management of real estate properties for rental and sale to low income member of the tribe. The government's proprietary type fund accounting is used to account for Housing Authority's business-type activities.

The Housing Authority is mainly funded under the Native American Housing Assistance and Self-Determination Act (NAHASDA) of 1996, Public Law 104-330 as amended. Under this grant, the Department of Housing and Urban Development (HUD) through the Office of the Native American Programs (ONAP) provides grants and technical assistance for the development and operation of low-income housing in Native American areas or Indian tribe reservations.

St. Croix Chippewa Housing Authority  
(A Component Unit of the St. Croix Chippewa Tribe of Wisconsin)

Management's Discussion and Analysis  
March 31, 2014

The *Statement of Net Position* presents information on all of the Housing Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Housing Authority is improving or deteriorating.

The difference between the assets and liabilities is shown as net position. This statement also provides the basis for evaluation the capital structure of Housing Authority and assessing its liquidity and financial flexibility. State and local governments report the net value or Net Position in these major categories:

- Net investment in capital assets
- Restricted
- Unrestricted

Statement of Net Position  
(Condensed)  
March 31,

ASSETS	2014	2013	change
Current Assets	\$ 526,342	\$ 625,796	\$ (99,454)
Noncurrent Assets	81,124	89,012	(7,888)
Capital Assets	<u>7,923,573</u>	<u>8,189,095</u>	<u>(265,522)</u>
Total Assets	<u>8,531,040</u>	<u>8,903,903</u>	<u>(372,863)</u>
<b>LIABILITIES AND NET POSITION</b>			
Current Liabilities	396,620	459,091	(62,471)
Noncurrent Liabilities	<u>16,151</u>	<u>12,440</u>	<u>3,711</u>
Total Liabilities	<u>412,771</u>	<u>471,531</u>	<u>(58,760)</u>
 Net Position	 <u>\$ 8,118,269</u>	 <u>\$ 8,432,372</u>	 <u>\$ (314,103)</u>

The largest portion of the Housing Authority's net assets reflects its investment in capital assets (e.g., land, buildings and equipment) less accumulated depreciation. The Authority uses these capital assets to provide service, and consequently, these assets are not available to liquidate liabilities or for other spending.

The Housing Authority's current ratio (current assets divided by current liabilities) is 1.46. This ratio indicates that the Housing Authority has good liquidity and the ability to pay liabilities as they come due.

Unrestricted net position was \$194,696 as of March 31, 2014. This amount may be used to meet the Housing Authority's ongoing obligations.

St. Croix Chippewa Housing Authority  
(A Component Unit of the St. Croix Chippewa Tribe of Wisconsin)

Management's Discussion and Analysis  
March 31, 2014

The *Statement of Revenue, Expenditures, and Changes in Net Position* presents information showing how the Housing Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., depreciation and earned, but unused vacation leave).

Statement of Revenue, Expenditures, and Changes in Net Position  
(Condensed)  
March 31,

	2014	2013	variance
Operating Revenue	\$ 2,502,377	\$ 2,232,906	\$ 269,470
Operating Expense	<u>(3,072,348)</u>	<u>(2,565,658)</u>	<u>(506,690)</u>
Net Operating Loss	(569,972)	(332,752)	(237,220)
Non-operating Income	255	(7,089)	7,344
Transfers from Tribe	<u>255,613</u>	<u>189,785</u>	<u>65,828</u>
Change in Net Position	<u>\$ (314,103)</u>	<u>\$ (150,055)</u>	<u>\$ (164,048)</u>

While the statement of net assets shows the change in financial position of net assets, the statement of revenues, expenses and changes in net assets provides answers as to the nature and source of these changes. Indian Housing and Indian Community Development Block Grants constituted the majority of operating revenues for the year ended March 31, 2014, accounting for 74.2 percent of the total. Dwelling rents is the second largest source of operating revenue and accounts for 11.9 percent of revenue sources.

Expenses were primarily for payroll and the maintenance of low-income housing units owned by the Authority, with those expenses accounting for 75.8 percent of total revenues. Depreciation of capital assets accounted for 15.7 percent of total revenues. Other expenses include general liability and property insurance and miscellaneous other expenses.

**CAPITAL ASSETS**

The St. Croix Chippewa Housing Authority's investment in capital assets as of March 31, 2014, equals \$7,923,573 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements and equipment. Additional information on the Authority's capital assets can be found in Note III. C. of the notes to the financial statements of this report.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Executive Director  
St. Croix Chippewa Housing Authority  
4456 Highway 70  
Webster, WI 54893

## *Basic Financial Statements*

**St. Croix Chippewa Housing Authority**  
**Statement of Net Position**  
**March 31, 2014**

**ASSETS**

**Current Assets:**

Cash and cash equivalents, unrestricted	\$	20,772
Cash and cash equivalents, restricted		213,317
Tenant Receivables (net of allowance for uncollectibles)		159,757
Accounts receivable - other		87,084
Prepaid insurance		45,412

<b>Total current assets</b>		526,342
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**Non-Current Assets:**

Insurance deposits		34,471
Equipment Inventory		46,653
Total other assets		81,124

**Capital assets**

Capital assets, not subject to depreciation		1,305,009
Capital assets, net of depreciation		6,618,564
Total capital assets		7,923,573

<b>Total non-current assets</b>		8,004,697
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<b>Total Assets</b>		8,531,040
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**LIABILITIES**

**Current Liabilities:**

Accounts payable		104,485
Accrued payroll and related expenses		5,403
Due to Tribe		73,415

<b>Total current liabilities</b>		183,302
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**Non-current liabilities payable from restricted assets:**

Tenant Security Deposits		18,187
Tenant Equity Deposits - MEPA		195,130
Total non-current liabilities payable from restricted assets		213,317

**Non-current liabilities:**

Compensated absences		16,151
Total non-current liabilities		229,468

<b>Total Liabilities</b>		412,770
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**Net Position**

Net investment in capital assets		7,923,573
Unrestricted		194,696

<b>Total Net Position</b>	\$	8,118,269
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**St. Croix Chippewa Housing Authority**  
**Statement of Revenues, Expenditures, and Changes in Net Position**  
**For the Year Ended March 31, 2014**

**OPERATING REVENUES**

Rental income	\$ 327,183
Federal grants and contracts	2,045,638
Other income	129,555
	<u>2,502,377</u>

**Total operating revenues**

**OPERATING EXPENSES**

Personnel and benefits	511,048
Nonroutine maintenance	1,588,886
Insurance	108,945
Property taxes	17,440
Utilities	85,267
Travel / training	22,490
Professional fees	40,602
Supplies	8,135
Other	255,612
Depreciation	433,922
	<u>3,072,348</u>

**Total operating expenses**

**OPERATING INCOME (LOSS)** **(569,972)**

**NONOPERATING REVENUES AND (EXPENSES)**

Interest income	255
	<u>255</u>

**Total other nonoperating revenues and (expenses)**

**Transfers:**

Transfers from the St. Croix Tribe	255,613
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**Change in Net Position** **(314,103)**

**Net position, beginning of year** **8,432,372**

**Net position, end of year** **\$ 8,118,269**

**St. Croix Chippewa Housing Authority**  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2014**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and other deposits	\$ 339,851
Receipts from Federal grants	2,045,638
Other receipts	122,499
Payments to suppliers	(2,300,674)
Payments to employees	(322,390)
Net Cash Used for Operating Activities	<u>(115,075)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Receipts from Tribe	224,326
Net Cash Provided by Noncapital Financing Activities	<u>224,326</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Additions to housing inventory	(168,400)
Net Cash Used for Capital and Related Financing Activities	<u>(168,400)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	255
Net Cash Provided by Investing Activities	<u>255</u>
Net Increase (Decrease) in Cash	(58,894)
CASH AND CASH EQUIVALENTS, beginning of year	<u>292,983</u>
CASH AND CASH EQUIVALENTS, ending of year	<u>\$ 234,089</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Net Operating income (loss)	\$ (569,972)
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation and amortization	433,922
Change in assets and liabilities	
(Increase) / decrease in asset accounts:	
Accounts receivable	13,271
Prepaid expenses	27,289
Equipment Inventory	7,888
Increase / (decrease) in liability accounts:	
Accounts payable	(21,115)
Accrued payroll and related liabilities	1,300
Other current liabilities	(7,659)
Net cash provided by operating activities	<u>\$ (115,075)</u>

St. Croix Chippewa Housing Authority  
(A Component Unit of the St. Croix Chippewa Tribe of Wisconsin)  
Notes to the Financial Statements  
For the Year Ended March 31, 2014

## **I. Summary of Significant Accounting Policies**

### **A. Description of the Entity**

The St. Croix Chippewa Housing Authority (“the “Housing Authority”) was created by the St. Croix Chippewa Tribe of Wisconsin ( the “Tribe”) for the purpose of providing safe and affordable housing for enrolled members of the Tribe. The Housing Authority is operated as a Tribally Designated Housing Entity (or “TDHE”) under the Native American Housing Assistance and Self-Determination Act (or “NAHASDA”) of 1996. The Housing Authority is a quasi-governmental agency created by the Tribal Council of the Tribe as a separate entity. All the programs of the Authority are included in these statements.

The NAHASDA act was created to provide federal assistance to Indian Tribes in a manner that recognizes the right of tribal self-governance. The Housing Authority is authorized to develop a housing program for the Tribe and submits an annual Indian Housing plan to the U.S. Department of Housing and Urban Development (or “HUD”).

#### Reporting Entity

The St. Croix Tribal Council exercises all oversight responsibilities, including, but not limited to, matters of personnel, management, finance and budget; as such the Housing Authority is a component unit of the Tribe. In determining how to define the reporting entity management has considered the criteria established in Section 2100 and 2600 of the *Codification of Governmental Accounting and Financial Reporting Standards and Statement No. 14 (as amended by GASBS 34,39, and 61) of the Governmental Accounting Standards Board: The Financial Reporting Entity*. The criteria include manifestation of oversight responsibility including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, and the potential for dual inclusion. The Housing Authority has no component units.

#### Description of Programs

The Housing Authority’s programs include:

- a) Indian Housing block Grant (IHBG) – a low rent and affordable homeownership program, subsidized by the U.S. Department of Housing and Urban Development (HUD);
- b) Indian Community Development Block Grant (ICDBG) – a development grant for low to moderate income communities, subsidized by the U.S. Department of Housing and Urban Development (HUD);
- c) Rural Housing and Economic Development - (RHED) – a capacity building and promoting innovative approaches to housing and economic development in rural areas.

### **B. Measurement Focus, Basis of Accounting, and Basis of Presentation**

The activities of the Housing Authority are classified as an enterprise fund and are therefore accounted for on the proprietary fund basis. The activities of the Housing Authority are accounted for on the flow of *economic resources measurement* focus and the *accrual basis* of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The financial statements of the Housing Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Housing Authority applies all applicable GASB pronouncements.

Fund Accounting – For governmental accounting, a fund is used to report on the Authority’s financial

St. Croix Chippewa Housing Authority  
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Notes to the Financial Statements  
For the Year Ended March 31, 2014

position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

An enterprise fund is used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

An enterprise fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the enterprise fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are charges to customers for services related to rental activity, including subsidies received from the Department of Housing and Urban Development (HUD) for administering these services. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Housing Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with Housing Authority's principal ongoing operations. The principal operating revenues of the Housing Authority are charges to tenants for lease payments, administrative costs, and maintenance charges. Operating expenses for Housing Authority include housing related expenses, administrative expenses, amortization expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **C. Assets, Liabilities, and Net Assets or Equity**

#### **1. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Housing Authority considers all investments purchased with a maturity of three months or less to be cash equivalents.

#### **2. Receivables**

Accounts receivable include normal business receivables and tenant accounts receivable. The Housing Authority presents receivables net of an allowance for doubtful accounts, receivables older 150 days are considered uncollectible.

#### **3. Accrued and Deferred Revenues**

Providers of resources such as grants, contracts, and other awards frequently establish eligibility requirements. Eligibility requirements may specify time requirements, may require that the recipient incur allowable costs and/or may be contingent upon a specified action by the recipient (such as a matching requirement). Until those requirements are met, the recipient does not have a receivable, and the recognition of expenditures or revenues for resources transmitted in advance should be deferred and reported as deferred revenue (a liability). When all eligibility requirements have been met, the Tribe either recognizes revenues by: reporting receivables as accrued revenue or by reducing deferred revenue.

#### **4. Prepaid Items**

Payments made to vendors for goods or services that will benefit periods beyond the current fiscal year are recorded as prepaid items. This primarily consists of the original deposit to establish insurance coverage and the annual premium paid in November and December for the subsequent year.

St. Croix Chippewa Housing Authority  
(A Component Unit of the St. Croix Chippewa Tribe of Wisconsin)  
Notes to the Financial Statements  
For the Year Ended March 31, 2014

**5. Inventory - Equipment**

Inventories are stated at cost using the first-in, first-out method of accounting and consist of water heaters, shower units, and steel doors which the Housing Authority sells to contractors to when work is needed in homes on the reservation. Housing Authority uses the consumption method for recording inventory; items are recorded initially in inventory accounts and charged as expenditures when utilized in housing units.

**6. Housing Units**

The Housing Authority manages 234 units constructed or purchased by the Housing Authority utilizing funds from the Department of Housing and Urban Development. Additionally, the Housing Authority manages 67 units purchased by the Tribe.

The Housing Authority’s housing inventory consists of 200 low rent units as of March 31, 2014. These units are rented to residents of the St. Croix community that apply for and meet the eligibility requirements as provided in the Housing Authority’s policies. Monthly rental charges are based on the tenant’s income pursuant to the rules and regulations applicable to HUD’s low-income housing program: NAHASDA.

The Housing Authority also has made available for sale, using a 25 year payment plan, to eligible low-income program participants 34 units through the Mutual Help Ownership Program (Mutual Help). The terms of the Mutual Help lease are governed by the Mutual Help Occupancy Agreement (MHOA) between the homebuyer and the Housing Authority. When the participant’s deferred payments equal the net cost (original cost less any accumulated amortization) of the home or the 25 year amortization period has expired, ownership is conveyed to the homebuyer. A gain or loss is recorded upon conveyance.

All housing inventory is considered noncurrent assets because the units are not available to help finance the Housing Authority’s operations in the short-term and cannot be mortgaged, sold, or disposed of, in any manner that would violate the terms of the agreements.

Currently, all housing inventory is reported net of accumulated depreciation over 40 years; in the capital assets.

**7. Property and Equipment**

Property and equipment are carried at cost. It is Housing Authority’s policy to capitalize items with a useful life of more than 1 year and a cost of \$5,000 or more. Depreciation of property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

	Years		
Land improvements			15
Buildings and improvements	7	-	40
Furniture and equipment	5	-	10

Donated assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**8. Compensated Absences**

It is the Authority’s policy to permit employees to accumulate up to 100 hours of earned but unused vacation leave benefits. Employees may be paid for unused vacation leave upon separation from service. Sick leave is cumulative from year to year but no liability is incurred.

St. Croix Chippewa Housing Authority  
(A Component Unit of the St. Croix Chippewa Tribe of Wisconsin)  
Notes to the Financial Statements  
For the Year Ended March 31, 2014

## 9. Monthly Equity Payment Accounts

Participants in the Mutual Help program pay a monthly payment based on their income pursuant to the HUD rules and regulations applicable to the Mutual Help Program. Each monthly payment made in excess of the Housing Authority's set monthly administrative fees is set aside into a deferred monthly equity payments account (MEPA). The Mutual Help Occupancy Agreement (MHOA) and the Housing Authority's policies provide rules as to how a participant in the Mutual Help program may utilize their individual accumulated MEPA balance. The individual MEPA account is closed out at conveyance of the unit.

## 10. Net Position

The following three categories describe how the net asset accounts are listed in the statement of net position:

**Net investment in capital assets:** this component of net position consists of all capital assets net of accumulated depreciation.

**Restricted:** this net position category consists of mutual help and lease-to-own housing inventory for resale, net of accumulated amortization/depreciation. This net position category is subject to externally imposed stipulations (i.e. a contract with an outside 3<sup>rd</sup> party) and so cannot be used by the Housing Authority in the current period operations.

**Unrestricted:** this category represents the remaining net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management, the Tribal Council, or may be limited by contractual agreements with outside parties.

Should any amount of net position become subject to an externally imposed stipulation, it is the Authority's policy to utilize restricted net position first, within the guidelines of the restriction, and then utilize unrestricted net position.

## II. Stewardship and Accountability

### 1. Income Taxes

The primary government of Housing Authority is exempt from federal and state income tax because of its status as a federally recognized Indian Tribe. Housing Authority is chartered under the Indian Reorganization Act of 1934 and is exempt from federal and state income taxes.

### 2. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### 3. Budgets

The Housing Authority doesn't operate under a budget ordinance; however the Housing Authority operates its federal grant programs pursuant to an agreed upon grant budget as established with federal funding agencies.

St. Croix Chippewa Housing Authority  
(A Component Unit of the St. Croix Chippewa Tribe of Wisconsin)  
Notes to the Financial Statements  
For the Year Ended March 31, 2014

**III. Detailed Notes**

**A. Deposits and Investments**

At March 31, 2014, the Housing Authority's cash and investment balances included the following:

	Carrying Value		Bank Balance
Cash Checking and Savings	\$ 228,985	\$	248,085
Certificate of Deposit	<u>5,104</u>		<u>5,104</u>
 Total cash and investments	 \$ <u>234,089</u>	 \$	 <u>253,189</u>

The difference between the carrying amount and the bank balance is outstanding vendor checks that have been mailed and provided to vendors but not yet presented to the bank. The carrying amount includes restricted cash, which consists of tenant MEPA balances held in trust at March 31, 2014.

Custodial Credit Risk Custodial credit risk is the risk that, in the event of a bank failure, the Housing Authority's deposits and investments may not be returned to it. The Housing Authority does have a formal custodial credit risk policy requiring its funds be insured by an agency, or instrumentality of the U.S., or fully collateralized to ensure protection of the funds in the event of a bank failure. Deposits are typically insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor per insured banking institution.

For the year ended March 31, 2014, the Housing Authority held cash and cash equivalents at two financial institutions in the amount of \$253,189, the Housing Authority's bank deposits were covered by the FDIC.

**B. Accounts Receivables**

Accounts receivable balances at March 31, 2014 are as follows:

<u>Tenant Receivables</u>	<u>Amount</u>
Housing Authority Tenant Receivables	\$ 921,774
Allowance for doubtful collection	<u>(762,017)</u>
Tenant Receivables, net of allowance	<u>159,757</u>
 <b>Other Current Receivables</b>	 <b>Amount</b>
Tribe	\$ 10,599
Employee loans	39,462
HCRI Loans	87,084
Allowance for doubtful collection	<u>(50,061)</u>
Other Current Receivables, net of allowance	<u>\$ 87,084</u>

The Housing Authority has extended loans to 15 employees; largely to assist with payment of Health Insurance Premiums.

The Housing Authority has utilized a loan program for the St. Croix residents referred to as HCRI. For the twelve months ended March 31, 2014, the HCRI loan program granted new loans \$45,932; and collected payments of \$38,877.

St. Croix Chippewa Housing Authority  
(A Component Unit of the St. Croix Chippewa Tribe of Wisconsin)  
Notes to the Financial Statements  
For the Year Ended March 31, 2014

**C. Capital Assets**

The following is a summary of changes in capital assets for the year ended March 31, 2014:

	Beginning of Year	Increases	Decreases / Transfers	End of Year
<b>Capital assets not subject to depreciation</b>				
Land	\$ 1,305,009	\$ -	\$ -	\$ 1,305,009
Construction in progress	<u>162,436</u>	<u>57,889</u>	<u>(220,325)</u>	<u>-</u>
Total capital assets not subject to depreciation	1,467,445	57,889	(220,325)	1,305,009
<b>Capital assets subject to depreciation</b>				
Land improvements	275,019	-	-	275,019
Buildings and improvements	17,056,303	-	220,325	17,276,628
Machinery and equipment	<u>244,959</u>	<u>110,511</u>	<u>-</u>	<u>355,470</u>
Total capital assets subject to depreciation	17,576,281	110,511	220,325	17,907,117
Less: Accumulated depreciation				
Land improvements	(177,297)	(18,197)	-	(195,494)
Buildings and improvements	(10,541,237)	(393,260)	-	(10,934,497)
Machinery and equipment	<u>(136,097)</u>	<u>(22,465)</u>	<u>-</u>	<u>(158,562)</u>
Total accumulated depreciation	<u>(10,854,631)</u>	<u>(433,922)</u>	<u>-</u>	<u>(11,288,553)</u>
Total capital assets subject to depreciation	<u>6,721,650</u>	<u>(323,411)</u>	<u>220,325</u>	<u>6,618,564</u>
Total capital assets, net	<u>\$ 8,189,095</u>	<u>\$ (265,522)</u>	<u>\$ -</u>	<u>\$ 7,923,573</u>

Depreciation expense for the year ended March 31, 2014 was \$ 433,922.

**D. Long-term Liabilities**

The following table shows the changes in long-term liabilities for the year ended March 31, 2014:

	Beginning of Year	Increases	Decreases	End of Year
Compensated absences	12,440	3,711		16,151

**E. Related Party Transactions**

The Tribe has provided support for the operations of the Housing Authority by making a portion of its budgeted unrestricted dollars available to the Housing Authority, if available and approved. The Housing Authority's payroll is processed by the Tribe along with other related payroll and fringe benefit payments. At March 31, 2014, the Housing Authority owed the Tribe for four months of payroll and related liabilities totaling \$ 73,414.65.

St. Croix Chippewa Housing Authority  
(A Component Unit of the St. Croix Chippewa Tribe of Wisconsin)  
Notes to the Financial Statements  
For the Year Ended March 31, 2014

**IV. Other Information**

**A. Risk Management**

The Housing Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Housing Authority carries commercial insurance and is currently insured for these risks.

**B. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses that may be disallowed by the grantor cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

**C. Economic Dependence**

The Housing Authority received approximately 74% of its revenue from HUD during fiscal year. If the amount of revenues received from the U.S. federal government falls below critical levels, the Housing Authority's reserves would be adversely affected and jeopardize many of the services currently being provided.

**D. Retirement Plan**

On September 1, 1999 the St. Croix Tribe started a 401 (k) plan for all tribal employees. The plan is a defined contribution plan under which benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after a minimum of 6 months employment and attaining age 19. Employees may contribute up to 50% of their base salary each month. The St. Croix Tribe's contributions for each employee (and interest allocated to the employees account) increase in vesting percentage based on years of service and are fully vested after 5 years of continuous service. The St. Croix Tribe may make contributions at its discretion. No contribution is required by the Tribe.

**V. Subsequent Events**

Management has evaluated subsequent events through December 17, 2014, the date on which the financial statements were available to be issued.

*Single Audit Section*

**St. Croix Chippewa Housing Authority**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended March 31, 2014**

<b>Funding Agency</b>	<b>CFDA</b>	<b>Grant No.</b>	<b>Award Amount</b>	<b>B.O.Y Balance of Award</b>	<b>Current Federal Expenditures</b>	<b>E.O.Y Balance of Award</b>	<b>Cumulative Grant Receipts</b>	<b>Grant Receivable</b>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>								
<i>Direct Program</i>								
IHBG	14.867	55IH5558020	4,606,076	1,346,919	1,418,828	2,103,453	2,502,623	-
		<i>subtotal IHBG</i>	<u>4,606,076</u>	<u>1,346,919</u>	<u>1,418,828</u>	<u>2,103,453</u>	<u>2,502,623</u>	<u>-</u>
<i>Pass-through from the St. Croix Chippewa Tribe of Wisconsin</i>								
ICDBG	14.862	B11 SR555802	370,116	229,153	229,153	-	370,116	-
ICDBG	14.862	B12 SR555802	600,000	335,150	369,621	230,379	369,621	-
		<i>subtotal ICDBG</i>	<u>970,116</u>	<u>564,303</u>	<u>598,774</u>	<u>230,379</u>	<u>739,737</u>	<u>-</u>
<i>Pass-through from the St. Croix Chippewa Tribe of Wisconsin</i>								
RHED	14.250		100,000	28,036	28,036	-	100,000	-
		<i>subtotal RHED</i>	<u>100,000</u>	<u>28,036</u>	<u>28,036</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
		<i>Total Federal Expenditures</i>	<u><b>\$ 5,676,192</b></u>	<u><b>\$ 1,939,258</b></u>	<u><b>\$ 2,045,638</b></u>	<u><b>\$ 2,333,832</b></u>	<u><b>\$ 3,342,360</b></u>	<u><b>\$ -</b></u>

St. Croix Chippewa Housing Authority  
Notes to Schedule of Expenditures of Federal Awards

**1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal awards programs of the St. Croix Chippewa Housing Authority (the “Housing Authority”), for the year ended March 31, 2014. Because the schedule presents only a selected portion of the operations of the Housing Authority, it is not intended to and doesn’t purport to present the financial position, changes in net assets, or cash flows of the Housing Authority. Federal awards received directly from federal agencies are designated as “Direct Program”. Any federal awards passed through other grantor agencies, if any, are included on the Schedule as “Pass-through”.

The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The amounts presented in the Schedule agree to the amounts presented in, or used in the preparation of, the basic financial statements.

**2. BASIS OF ACCOUNTING**

The Schedule is presented using the modified accrual basis of accounting, the method used to prepare the Housing Authority’s basic financial statements, which is described in Note I of the Housing Authority’s basic financial statements. The current federal expenditures are recognized following cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expense are not allowable or are limited as to reimbursement.

**3. SUBRECIPIENTS**

No subrecipients reported.

**4. OTHER MATTERS**

The current federal expenditures, reported on the Schedule includes, \$168,400 of construction expenditures and equipment purchases, classified as additions to Buildings and Furniture in the Non-Current Asset section of the Housing Authority’s Statement of Net Position.

\* \* \* \* \*

# MELISSA B PETERSEN, CPA LLC

## CERTIFIED PUBLIC ACCOUNTANT



### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Commissioners  
St. Croix Chippewa Housing Authority  
Webster, Wisconsin

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 statements of the St. Croix Chippewa Housing Authority (Housing Authority), as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements and have issued our report thereon dated December 17, 2014.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over financial reporting.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of control deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal control* is a deficiency or a 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 over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. Therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2014-001 & 2014-002 that we consider to be significant deficiencies.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free of material misstatement, we performed tests of the Housing Authority's 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

# MELISSA B PETERSEN, CPA LLC

## CERTIFIED PUBLIC ACCOUNTANT

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*.

The Housing Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **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 entity'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 Housing Authority's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

*Melissa B. Petersen*

Melissa B. Petersen, CPA LLC  
Grand Rapids, Michigan  
December 17, 2014

**MELISSA B PETERSEN, CPA LLC**

**CERTIFIED PUBLIC ACCOUNTANT**



**Independent Auditor's Report on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance, and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Board of Commissioners  
St. Croix Chippewa Housing Authority  
Webster, Wisconsin

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

We have audited the compliance of the St. Croix Chippewa Housing Authority (Housing Authority) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2014. The Housing Authority's major federal programs are 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 the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Housing Authority's compliance for each of the Housing Authority's major federal programs 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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 Housing Authority'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 each of the Housing Authority's major federal programs. Our audit does not provide a legal determination of the Housing Authority's compliance with those requirements.

**Opinion on Each Major Federal Program**

In our opinion, the Housing Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect of the Housing Authority's major programs for the year ended March 31, 2014.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-003 through 2014-005. Our opinion on each major program is not modified with respect to these matters.

# MELISSA B PETERSEN, CPA LLC

## CERTIFIED PUBLIC ACCOUNTANT

### Report on Internal Control Over Compliance

The management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Housing Authority'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 combination of control 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 preceding paragraph and would not necessarily identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore material weaknesses may exist that have not been identified. We didn't identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items: 2014-003 through 2014-005; that we consider to be a significant deficiency.

The Housing Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

We noted certain other matter that we reported to management of the Housing Authority in a separate letter dated December 17, 2014.

### Purpose of this Report on Internal Control Over Compliance

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 OMB Circular A-133. This report is not suitable for any other purpose.

Melissa B. Petersen

Melissa B. Petersen, CPA LLC  
Grand Rapids, Michigan  
December 17, 2014

**St. Croix Chippewa Housing Authority  
Schedule of Findings and Questioned Costs  
For the Year Ended March 31, 2014**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS:**

**Financial Statements**

Type of Auditors Report Issued: **Unmodified**

Internal Control over financial reporting:

Material weakness(es) identified? **No**

Significant deficiency(ies) identified that are not considered to be material weakness(es)? **Yes**

Noncompliance material to financial statements noted? **No**

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? **No**

Significant deficiency(ies) identified that are not considered to be material weakness(es)? **Yes**

Type of Auditors Report Issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? **Yes**

Major Programs:

CFDA #    Federal Program

14.867    IHBG

14.862    ICDBG

Dollar threshold used to distinguish between type A and type B programs: **\$300,000**

Auditee qualified as a low-risk auditee? **No**

**St. Croix Chippewa Housing Authority**  
**Schedule of Findings and Questioned Costs**  
**For The Year Ended March 31, 2014**

**SECTION II - FINANCIAL STATEMENTS**

**2014-001**

**REPEAT FINDING**

**Condition:**

**Internal control and Oversight – Segregation of Duties concerning HCRI loan program and lack of board minutes**

The Housing Authority administers a loan program, referred to internally as the HCRI loan program. The loans are administered and accounted for by finance and management level personnel that also participate as individuals in the program, without any additional oversight. The largest loan balances outstanding are to these finance and management level personnel individuals and total \$ 26,530 or approximately 30% of the total balance.

The actions and decisions reached of the governing body responsible for the Housing Authority and its administration of federal programs in connection with providing services to the St. Croix community should be evidenced in written form or some other medium that is available for review by the community, HUD, and other interested and authorized persons. No board minutes or other written documentation of monthly oversight duties were provided to the audit team.

**Criteria:**

**24 CFR 85.20 Standards for financial management systems:** Sound business practice and strong internal control dictate that to effectively ensure that the persons who benefit from the loan program should not have complete discretion over the approval of loan requests, or the recording of balances and repayments.

The Housing Authority's By-Laws require a monthly meeting by those responsible for governing the entity. Further HUD requires evidence that those responsible for governing the entity are regularly monitoring the operations of the entity and have financial oversight. Regular meetings and written meeting minutes provide substantive documentation of such oversight.

**Effect:**

The loan program wasn't carried out pursuant to sound policies. Providing large balances to a few individuals increases the possibility that the Housing Authority may not receive full repayment for amounts advanced.

The lack of written board minutes concerning the official action and oversight of the Housing Authority is out of compliance with the Housing Authority's By-Laws.

**Cause:**

The disbursement of loan program monies is not monitored by an independent and objective process. Further, no written policy is on hand to provide guidance.

The lack of separate minutes concerning the Housing Authority's appears to be a result of the governing duties being administered by the same body that

**St. Croix Chippewa Housing Authority**  
**Schedule of Findings and Questioned Costs**  
**For The Year Ended March 31, 2014**

administers the Tribal Government without a clear distinction of Housing Authority business.

Recommendation: The Housing Authority's fiscal policies should be revised to ensure that preventive controls are in place over check disbursements for loan disbursements, such that checks must be signed with live signatures with at least the signature of one Tribal Council member. Further, persons who benefit from the loan program should not have complete discretion over the recording and processing of advances and repayment. We recommend a complete list of outstanding balances be presented to Tribal Council, or its designee, for continued monitoring.

The governing actions and oversight discussions concerning the Housing Authority should be separately documented in the Tribal Council meeting minutes and a written copy be readily available for inspection.

Management response: Management agrees with the findings.

Corrective Action Plan: Person Responsible Executive Director  
for completion:

Anticipated date of March 31, 2015  
completion:

Action Step(s):

We are implementing a better segregation of duties within Finance Department with the current personnel. We ensure all transactions are approved by two independent individuals. In addition, we have communicated to Tribal Council that we need their secretary to separate the Housing Authority's business from the general Tribal business in their formal meeting minutes. Management will provide future loan applications to the Tribal Council or a Board for written approval before loans are issued.

**2014-002**

**REPEAT FINDING**

Condition: **Internal control and Disbursements – Lack of adequate supportive documentation**

**St. Croix Chippewa Housing Authority**  
**Schedule of Findings and Questioned Costs**  
**For The Year Ended March 31, 2014**

- 5 of the 62 disbursements selected for testing totaling \$ 10,019: the Housing Authority is lacking documentation to support that the individual participant was eligible to receive the assistance. No application on file.
- 3 of 62 disbursements selected for testing totaling \$14,324; the Housing Authority is lacking any documentation for these disbursements due to a mishap when preparing for the annual audit – a box of documents was accidentally thrown out.

Criteria: **24 CFR 85.20 Standards for financial management systems:** Sound business practice and strong internal control dictate that to effectively ensure that the entity's disbursement transactions are true and accurate source documentation, such as vendor invoices, should be retained as part of the accounting records.

Additionally, the lack of supporting documentation impairs the Housing Authority's ability to provide substantiation as to whether procurement was conducted, see discussion below in Finding 2014-005. Further, it is advisable to have policies and procedures in place over document storage and retention in order to adhere to granting agency accessibility to records pursuant to 24 CFR 85.42.

Effect: The Authority is out of compliance with federal regulations regarding source documentation.

Cause: Lack of internal control policies and procedures over document retention practices.

Recommendation: The Authority should develop a document storage and retention policy to ensure that accounting records are properly identified and marked with a destruction date that is proscribed in an approved document and retention policy.

Management response: Management agrees with the findings.

Corrective Action Plan: Person Responsible Executive Director  
for completion:

Anticipated date of March 31, 2015  
completion:

Action Step(s):

We strive to ensure all transactions are authorized and supported. We feel these exceptions are isolated instances and do not represent the operating practices of the Housing Authority. We would also like to mention that none of the exceptions represent Federal grant expenditures.

**St. Croix Chippewa Housing Authority  
Schedule of Findings and Questioned Costs  
For The Year Ended March 31, 2014**

**Section III - Federal Awards**

**2014-003                      14.867 HUD - IHBG; - REPEAT FINDING**

**Condition:                      Tenant Files – Missing Information**

**Criteria:                      NAHASDA 403 and 24 CFR 1000.128 –HUD Regulations require that Tenant files should be maintained with information that includes items such as: Proof of Annual Inspection and Results; and Annual Household income verification; Rent Calculations.**

58 of 60 files    Didn't have a current annual inspection

2 of 60 files    Didn't contain a copy of Tribal Identification Card or other verification of Tribal Enrollment

19 of 60 files    Didn't have a current annual income recertification

**Effect:                      Housing Authority is out of compliance with HUD regulations and the Housing Authority's board approved policies.**

**Questioned Costs:                      None**

**Cause:                      Staffing shortages have created a backlog in the annual inspection process.**

**Recommendation:                      Consider changing the Housing policy to inspect units on a rotating basis such as an inspection every other year for tenants that maintain the unit in good condition to permit more time for more troubled units.**

Consider using a system of review and tracking for tenant files, to be utilized by the department supervisor to document that an internal review has been conducted and that the file is complete and up to date.

**Management response:                      Management agrees with the findings.**

**Corrective Action                      Person    Responsible    Executive Director  
for completion:**

**St. Croix Chippewa Housing Authority**  
**Schedule of Findings and Questioned Costs**  
**For The Year Ended March 31, 2014**

Plan: Anticipated date of March 31, 2015  
completion:

Action Step(s):

We are consistently working to ensure all tenant files are up-to-date and annual certifications/inspections are being conducted in a timely manner with the amount of available staff and resources.

**2014-004**                      **14.867 HUD – IHBG**

Condition:                      **Davis Bacon – No certified payrolls**

- 8 of the 62 disbursements selected for testing totaling \$ 138,123: the Housing Authority is lacking documentation to support that the contractor is in compliance with the Davis Bacon wage rates

Criteria:                      24 CFR 1000.16 Verification of Wage Rates

Effect:                      Housing Authority is out of compliance with HUD regulations.

Questioned Costs:                      None

Cause:                      Staffing shortages have created a backlog in construction management personnel.

Recommendation:                      Consider using a payment voucher that includes a reminder to collect certified payroll substation before releasing contract check for payment.

Management response:                      Management agrees with the findings.

Corrective Action                      Person Responsible Executive Director  
Plan: for completion:

Anticipated date of March 31, 2015  
completion:

Action Step(s):

We will ensure all future construction contracts comply with Davis-Bacon requirements. A new contract format has been approved that all construction vendors will adhere to.

**St. Croix Chippewa Housing Authority**  
**Schedule of Findings and Questioned Costs**  
**For The Year Ended March 31, 2014**

**2014-005**

**14.867 HUD – IHBG and 14.862 ICDBG**

Condition: -41 of the 62 disbursements selected for testing totaling \$ 338,269: the Housing Authority is lacking documentation to support the procurement process was carried out pursuant to IHBG rules and regulations ;

-4 of the 62 disbursements selected for testing totaling \$ 106,660: the Housing Authority is lacking documentation to support the procurement process was carried out pursuant to ICDBG rules and regulations;

Criteria: IHBG 24 CFR 85.36 and ICDBG 24 CFR 1003.501 Procurement - require sufficient records be retained to document the rational and evaluation of vendors selected and comparison pricing obtained.

Effect: Housing Authority is out of compliance with HUD regulations.

Questioned Costs: None

Cause: Staffing shortages have created a backlog in construction management personnel.

Recommendation: Consider attending procurement training to ensure personnel responsible for procurement transactions are provided with the necessary information to perform their duties and are informed of the necessary documentation requirements.

Management response: Management agrees with the findings.

Corrective Action Plan: Person Responsible Executive Director  
for completion:

Anticipated date of March 31, 2015  
completion:

Action Step(s):

We will ensure the procurement process is documented for all construction contracts over a predetermined amount in the future.

**St. Croix Chippewa Housing Authority Housing Authority**  
**Schedule of Prior Audit Findings**  
**For the Year Ended March 31, 2014**

For the year ended 2014

Criteria:                    2013-001: Internal control over financial processing and reporting process not properly designed or not operating effectively; and appropriate oversight not in place as minutes are not properly supplied to support governing body's actions concerning Housing Authority.

Status:                    ***Repeat finding*** – Some progress has been made; however further changes are necessary. See Finding 2014-001.

Criteria:                    2013-002: Internal control over disbursement not properly designed or not operating effectively: documentation to support transaction activity and authorization not in place.

Status:                    ***Repeat finding*** – Internal control not adequate. See Finding 2014-002

Criteria:                    2013-003: Lack of Documentation to support Eligibility of program participants

Status:                    ***Repeat finding*** – The Housing Authority continues to work on improving in this area. See Finding 2014-003

***Other  
Information***

***Board of Commissioners, Members of Management, and  
Funding Agencies***

# MELISSA B PETERSEN, CPA LLC

## CERTIFIED PUBLIC ACCOUNTANT



Board of Commissioners  
St. Croix Chippewa Housing Authority  
Webster, Wisconsin

Dear Members of the Board of Commissioners:

In planning and performing our audit of the financial statements of the Housing Authority we considered the Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. Those items are listed below. Please note we previously reported on Housing Authority's internal control in our report December 17, 2014, this letter doesn't affect that report on the financial statements.

We will review the status of these comments during our subsequent audit of Housing Authority. We have already discussed many of these comments and suggestions with Housing Authority's management and will discuss them with you further at your request. We are also willing to assist you in implementing the recommendations or provide additional study of the matters commented on. Our comments are as follows:

- 1) We strongly recommend the policies be updated. Consider using NAICH's sample model policies.
- 2) We recommend the Board of Commissioners consider changing the inspection policies to every 18 months to provide more time to accomplish inspections and resulting work orders.
- 3) We recommend the minutes of the Board of Commissioners' meetings be kept in a manner to ensure that discussion is documented regarding: approval of contracts; construction status; summary of financial reports provided to the board; summary of operational matters; and notation of executive session segments of the meeting for personnel and other sensitive topics discussed in close session.
- 4) Loan Program – we recommend a reconciliation be performed to ensure that balances maintained in the subledger (ledger cards) agree to amounts tracked by the accounting software.
- 5) We recommend a review of all tenant files be conducted to ensure that all information that should be maintained in the files permanently are accounted for ( i.e. original application and original income verification).
- 6) We recommend the procurement duties include ensuring that all projects and bid requests contain a) a well defined scope of work; 2) a defined billing process; 3) special requirements such as licensing and contractor payroll reporting requirements
- 7) We recommend the procurement files maintained for each project include a check list to assist with maintaining a project file that thoroughly documents the procurement process.
- 8) We recommend a conflict of interest policy be adopted that calls for an annual conflict of interest statement be obtained from all employees; all board of commissioners; and all consultants that assist with management decisions. Utilizing an annual signed statement is an

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opportunity to remind all persons involved with the Housing Authority that their duty to the organization comes before any direct or indirect individual benefit.

- 9) We recommend the Occupancy department continue to perform a routine self review assessment of its files on a monthly basis (spot checking) and utilize a follow up system to ensure information is timely processed. We acknowledge that the department has made tremendous improvement in this area and would like to see continuation of proactive management skills to identify problem areas and a continued effort to initiate processes to take correction action.

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies, and pass-through agencies and is not intended to be and shouldn't be used by anyone other than these specified parties.

Respectfully,

*Melissa B. Petersen*

Melissa B. Petersen, CPA LLC  
Grand Rapids, Michigan  
December 17, 2014