



Oneida Housing Authority Tenant Rents

Report of Examination

Period Covered:

April 1, 2013 — July 31, 2014

2014M-306



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 2014

Dear Housing Authority Officials:

A top priority of the Office of the State Comptroller is to help authority officials manage their authorities efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support authority operations. The Comptroller oversees the fiscal affairs of authorities statewide, as well as authorities' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving authority operations and Board governance. Audits also can identify strategies to reduce authority costs and to strengthen controls intended to safeguard authority assets.

Following is a report of our audit of the Oneida Housing Authority, entitled Tenant Rents. This audit was conducted pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution.

This audit's results are resources for authority officials to use in effectively managing operations and in meeting the expectations of taxpayers. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Oneida Housing Authority (Authority) is a municipal housing authority created to provide low-rent housing for qualified individuals in the City of Oneida (City). The Authority provides safe, sanitary and affordable living for the elderly, non-elderly, disabled and families that meet eligibility requirements. The Authority is governed by a seven-member Board of Commissioners (Board). Five Commissioners are appointed by the City's Mayor and two are Authority residents elected by the tenant population. The Board, which has ultimate responsibility for the Authority's operations, appointed an Executive Director (Director) to oversee day-to-day operations. The Director's responsibilities include preparing the annual operating budget, overseeing cash management and capital projects and check signing. The Director also oversees the occupancy specialists, typist and account clerk, who are responsible for the billing and recording of tenant rents.

The Authority has three complexes, with a total of 240 units for rent. The Authority is funded primarily from tenant rents and grants from the United States Department of Housing and Urban Development (HUD). The billing of tenant rents must comply with applicable HUD requirements. The HUD program regulations specify the types and amounts of income and deductions to be included in the calculation of annual and adjusted income, which is used to determine the amount of a tenant's rent. The Authority's 2014-15 operating budget totaled approximately \$1.5 million.

Objective

The objective of our audit was to examine tenant rents. Our audit addressed the following related question:

- Did Authority officials properly bill, record and deposit tenant rents?

Scope and Methodology

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard Authority assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on the area most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash receipts and disbursements, billed receivables (tenant rents), purchasing, claims processing, payroll and personal services, fixed asset management and information technology. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We determined that tenant rents are a material revenue source and the

collection of tenant rents is a primary Authority function. Budgeted tenant rents for the 2014-15 fiscal year are approximately \$650,000. While internal controls appeared adequate, the handling of tenant rents has inherent risk. Therefore, we examined the billing, recording and depositing of tenant rents for the period April 1, 2013 through July 31, 2014.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit is included in Appendix B of this report.

**Comments of
Authority Officials**

The results of our audit and recommendations have been discussed with Authority officials and their comments, which appear in Appendix A, have been considered in preparing this report.

Tenant Rents

The Board should ensure that Authority officials are properly billing, recording and depositing tenant rents timely and intact. The Board can ensure that the Authority is receiving the correct amount of tenant rent by implementing good internal controls, such as segregating of major duties of a transaction (e.g., billing, collecting and recording), to ensure that no one person controls all phases of a transaction and maintaining and reconciling receivable control accounts. A receivable control account is an overall summary of individual transactions for each tenant in the general ledger. It should be updated with total amounts, such as total collections for the day, week or month, and updated with total billings for the month and periodically reconciled to the total of individual tenant account records. Any discrepancies should be promptly investigated and resolved. This process helps to ensure the accuracy and completeness of transactions recorded in the individual tenant accounts.

We found that officials billed tenants HUD-approved rent amounts, accurately recorded the receivables and rent collections and deposited tenant rent collections timely and intact. Authority officials have implemented effective internal controls by segregating the duties over billing, recording and depositing tenant rents. Occupancy specialists prepare rent bills and bill tenant rents according to HUD guidelines. The typist collects tenant rent payments, marks the rent bills paid and endorses the checks by stamping them “for deposit only.” The account clerk prepares deposit slips and the Director makes the bank deposits. The account clerk records tenant payments in the financial system and verifies all rents were collected by keeping a list of current tenant rent receivables¹ and comparing it to any unpaid tenant rent bills at the end of the month. In addition, an independent accountant reviews the account clerk’s reconciliation process and requires her to provide supporting documentation (e.g., hardcopy, unpaid tenant rent bill) for any remaining balances due. As a result, Authority officials have a reasonable level of assurance that billings, collections and accounting records are accurate.

To achieve our objective, we compared one month’s tenant rent lists to the total number of rental units to verify that all tenants/units were billed and recorded. We traced 15 individual tenant rent bills to

¹ The account clerk maintains a list in the Authority’s accounting system of current tenant rent receivables. Each month, she posts total tenant rents billed and posts payments and deposits made. At the end of the month, the account balance should be zero.

HUD-approved amounts² to verify the accuracy of tenant bills. For one month, we verified that the credits made to the current tenant rent receivable list were supported by actual bank deposits. We also reviewed adjustments for reasonableness and verified that late fees were appropriately charged. Our testing did not identify any material discrepancies.

Overall, we found that the Authority's controls were appropriately designed and operating effectively to ensure tenant rents were properly billed, recorded and deposited. Except for minor deficiencies, which we have discussed with Authority officials to help them improve controls, we found no significant deficiencies in the records we examined.

² Authority officials submit tenant financial information through the HUD website, which calculates a tenant's rent amount. HUD indicates its approval of tenant rent electronically for two of the complexes and contracts with an external company to review and approve tenant rent for the third complex.

APPENDIX A

RESPONSE FROM AUTHORITY OFFICIALS

The Authority officials' response to this audit can be found on the following page.

City of Oneida Housing Authority
226 Farrier Avenue
Oneida, New York 13421
(315) 363-8450

December 4, 2014

Ms. Rebecca Wilcox, Chief Examiner
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428

Re: Audit 2014M-306

Dear Ms. Wilcox,

On behalf of the City of Oneida Housing Authority, please accept this letter as a response to the Comptroller's Office audit report for the period from April 1, 2013 – July 31, 2014. I am pleased to report that the Authority is in concurrence with the content of the above referenced Draft Audit Report. In addition, I am proud to convey that since there were no findings, a corrective action plan will not be forthcoming. This is a true attestation that the City of Oneida Housing Authority's controls were appropriately designed and operating efficiently and effectively.

We thank you and your staff for the professionalism and time involved in this audit and appreciate the feedback and communication provided. If there are any other issues or matters that your office wish to address, please contact me at (315) 363-8450.

Sincerely,

Robert Walters
Executive Director

Cc: OHA Board of Commissioners
Michael St. Leger, Esq.

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard Authority assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash receipts and disbursements, billed receivables, purchasing, claims, payroll and personal services, fixed asset management and information technology.

During the initial assessment, we interviewed appropriate Authority officials, performed limited tests of transactions and reviewed pertinent documents, such as Authority policies and procedures manuals, Board minutes and financial records and reports.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated those weaknesses for the risk of potential fraud, theft or professional misconduct. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We then decided on the reported objective and scope by selecting for audit the area most at risk. We selected the tenant rent function for further audit testing.

- We interviewed appropriate Authority officials, employees and the independent accountant, as well as reviewed Authority policies and procedures, in order to obtain an understanding over procedures and controls for billing, recording and depositing of tenant rents.
- We tested a random sample of 15 tenant rent billings (five from each complex), using a spreadsheet macro, to ensure that tenants were being billed HUD-approved amounts for July 2014. We selected July because it was the most current month of our audit period, with no expectation that more or fewer errors would occur in any other month.
- We footed and traced tenant rent totals to the current tenant rent receivable list to ensure that the Authority accurately recorded the rent receivables for July 2014.
- We reviewed the tenant rent list for July 2014 to ensure that all tenants were billed, and we reviewed all bills under \$50 to determine if the rent was accurate.
- We traced all credits from the Authority's current tenant rent receivable lists for March 2014 to bank statements. We selected March because this was the last month of the Authority's fiscal year.
- We traced the 10 largest credits to current tenant rent receivable lists for March 2014 to supporting documentation to ensure that the Authority credits were recorded accurately and to bank statements to ensure that the Authority deposited these payments timely and intact.

- We reviewed bank statements for March 2014 and tested four deposits to determine if late fees were charged and collected.
- We traced the largest remaining monthly balance from current tenant rent receivable lists during our audit period to either billing statements or Board authorizations to write-off uncollectible tenant rents in order to ensure the Authority either collected payment on the remaining balances or the Board approved a write off of the unpaid rents.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX C

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