



Schenectady Municipal Housing Authority

Payroll

Report of Examination

Period Covered:

April 1, 2013 — May 31, 2014

2014M-223



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

September 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 Schenectady Municipal Housing Authority, entitled Payroll. 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 and recommendations 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 Schenectady Municipal Housing Authority (Authority) is located in the City of Schenectady (City) in Schenectady County. The Authority was established pursuant to Section 428 of the New York State Public Housing Law to provide low-rent housing for qualified individuals in accordance with relevant provisions of the Public Housing Law and the rules and regulations prescribed by the United States Department of Housing and Urban Development (HUD).

The Authority is governed by a seven-member Board of Commissioners (Board). Five Commissioners are appointed by the City Mayor and two are elected by the tenants. The Board is responsible for the general management and control of the Authority's financial affairs. The Board appoints an Executive Director who is the Authority's chief executive officer and responsible for the Authority's day-to-day operations. The Board-appointed Finance Director is responsible for maintaining the Authority's accounting records.

The Authority's operating expenditures for the fiscal year ending March 31, 2014 totaled approximately \$9.1 million. These costs were funded mainly by rental income from tenants and HUD subsidies. The Authority maintains 1,018 public housing units and administers 1,476 Section 8 housing choice vouchers.¹

The Authority has approximately 55 employees who are appointed through a Board resolution. All employees are compensated based on collective bargaining agreements (CBA) or the Authority's personnel policy. Total payroll expenditures for the 2014 fiscal year were approximately \$2.9 million.

Objective

The objective of our audit was to assess the Authority's payroll process. Our audit addressed the following related question:

- Are Authority employees compensated in accordance with the Board-approved salary rates?

Scope and Methodology

We examined the Authority's payroll process for the period April 1, 2013 through May 31, 2014.

¹ Housing choice vouchers allow very low-income families to choose and lease or purchase safe, decent and affordable privately-owned rental housing. The Authority receives federal funds from HUD to administer the voucher program.

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 have been discussed with Authority officials and their comments, which appear in Appendix A, have been considered in preparing this report. Authority officials agreed with our findings.

Payroll

Payroll is a significant operating cost to the Authority. The Board is responsible for establishing compensation rates for Authority employees and for ensuring that payments are made as authorized. Board-authorized employment contracts and written policies and procedures should provide clear guidance regarding employee compensation. Also, to ensure that employees receive the compensation intended by the Authority, the Board must clearly define and authorize pay rates in written labor agreements and Board-approved pay rate schedules.

We commend Authority officials for designing and implementing appropriate procedures establishing employee salary rate schedules. Authority officials implemented specific procedures to ensure that the individuals paid through the payroll process were paid at the Board-established pay rates and employees were paid the salaries and wages to which they were entitled.

Authority employees' salaries are outlined in two CBAs and the Authority's personnel policy (for management level employees). The Board approved the currently effective CBAs in 2013 and each CBA includes a salary schedule for the covered employees. Annually, management prepares a salary schedule for all Authority employees showing salary grade and any raises from the prior year. If an employee is hired or promoted during the fiscal year, a detailed Board resolution is passed showing the employee's salary rate.

To assess the Authority's procedures, we tested all employees' pay rates² for the audit period. We compared the rates employees were paid with approved salary schedules. We traced the approved rates to the Board-approved CBAs or the Authority's personnel policy to ensure that employees received compensation according to the terms of their respective CBA or the personnel policy. For employees hired during our audit period, we traced the pay rate to the Board resolution authorizing their employment and verified the rate with the applicable CBA.

We found that employees were paid at the appropriate rates and Authority officials designed appropriate controls over establishing employee pay rates. We discussed other minor discrepancies with Authority officials during our audit fieldwork. Establishing and adhering to strong procedures decreases the risk that fraud, abuse or errors may occur and go undetected and remain uncorrected.

² During our audit period the Authority employed 68 individuals. We included all 68 individuals in our audit testing.

APPENDIX A

RESPONSE FROM AUTHORITY OFFICIALS

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

Board of Commissioners
Alberta Madonna John M. Polimeni Marva H. Isaacs Ahmad Yusufi, Chairperson
Jean T. Carney Joan Johnson Denise Clark

September 4, 2014

[REDACTED]
NYS Office of the State Comptroller
Division of Local Government and School Accountability
One Broad Street Plaza
Glens Falls, NY 12801

Dear [REDACTED],

Re: Authority Official's Response: Payroll Report of Examination 2014M-223

I am in receipt of the draft Report of Examination regarding the payroll audit performed by [REDACTED], State of New York Office of the State Comptroller.

The Schenectady Municipal Housing Authority discussed the audit results with [REDACTED] and [REDACTED] and accepts the audit report as prepared.

I appreciate the opportunity to work with the Office of the State Comptroller in an effort to improve the efficiency and effectiveness of our operations.

Sincerely,

Richard E. Homenick
Executive Director

cc: Ronald Kahlstorf, Finance Director
Letterbook



APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the Authority's financial operations. To accomplish this, we performed an initial assessment of the internal controls so we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: control environment, financial records and reports, cash management, cash receipts and disbursements, purchasing, claims processing, payroll and personal services, information technology and rental fees.

During the initial assessment, we interviewed Authority officials, performed limited tests of transactions and reviewed pertinent documents such as Authority policies, bylaws, Board minutes, financial records and reports and payroll records. In addition, we reviewed the Authority's internal controls and procedures over the computerized financial databases to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We then decided upon the reported objective and scope by selecting for audit the area most at risk. We selected payroll for further audit testing.

To accomplish our audit objective and obtain valid audit evidence, our procedures included the following steps:

- We reviewed CBAs and personnel policies and interviewed Authority officials to gain an understanding over the payroll process.
- We obtained the employees' salary rates from the accounting software for the audit period.
- We compared the employees' salary rates with Board-approved salary schedules and traced the amounts on the salary schedules to the CBAs, personnel policy and Board resolutions.

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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