



Geneva Housing Authority Cash Receipts

Report of Examination

Period Covered:

October 1, 2013 — June 11, 2015

2015M-160



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	3
Scope and Methodology	3
Comments of Authority Officials and Corrective Action	3
CASH RECEIPTS	4
Recommendations	6
APPENDIX A Response From Authority Officials	8
APPENDIX B OSC Comments on the Authority's Response	11
APPENDIX C Audit Methodology and Standards	12
APPENDIX D How to Obtain Additional Copies of the Report	13
APPENDIX E Local Regional Office Listing	14

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

November 2015

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 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 Geneva Housing Authority, entitled Cash Receipts. 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 Geneva Housing Authority (Authority) is located in the City of Geneva in Ontario County. The Authority was established pursuant to Section 464 of New York State Public Housing Law to provide low-cost housing for qualified individuals in accordance with relevant provisions of the law and the rules and regulations prescribed by the Federal Department of Housing and Urban Development (HUD). The Authority's low-income housing program's 2013-14 fiscal year operating expenditures totaled approximately \$3.2 million, as did the adopted 2014-15 operating budget.

The Authority maintains and manages two apartment complexes (complexes) and 34 scattered housing sites (sites), for a total of 247 rental units. Additional rental income is received from office space rentals to business tenants within the Authority's central office location. The Authority receives additional income by providing direct management services for five not-for-profit agencies and oversight services for two not-for-profit agencies. During our audit period,¹ the Authority collected approximately \$5.5 million in cash receipts, primarily from the low-income housing program rents.²

The Authority is governed by a Board of Commissioners (Board), composed of seven Commissioners, five of whom are appointed by the City Manager and two elected by the tenants. The Board is responsible for the general management and control of the Authority's financial affairs. The Board appoints a chief executive officer (CEO) who is responsible for the Authority's day-to-day operations. Additionally, the Board appoints a fee accountant who is responsible for a monthly review of all books of record, bank statements and filings. The CEO also appoints a fiscal manager and staff accountant (Accountant) to collectively perform the duties of a chief financial officer and to oversee accounting operations. In addition, there are four office specialists³ who have various responsibilities, including collecting receipts, maintaining tenant information and processing applications. The Director of Housing Operations is responsible for overseeing the maintenance of sites and complexes, day-to-day information technology needs and procurement.

¹ Through May 31, 2015, the end date of the cash receipts report provided by Authority officials

² Composed primarily of tenant rents and HUD subsidies

³ Two at the Authority's main office and one at each of the complexes

Objective

The objective of our audit was to evaluate the Authority's cash receipts process. Our audit addressed the following related question:

- Did Authority officials ensure that cash receipts were properly accounted for and deposited in a timely manner and intact?

Scope and Methodology

We examined the Authority's cash receipts process for the period October 1, 2013 through June 11, 2015.

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 are included in Appendix C of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

Comments of Authority Officials and Corrective Action

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. Except as indicated in Appendix A, Authority officials generally agreed with our recommendations and indicated they will take corrective action. Appendix B includes our comments on issues raised in the Authority's response.

Good management practices dictate that the Board has the responsibility to initiate corrective action. As such, the Board should prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days.

Cash Receipts

The Board is responsible for establishing internal controls to properly safeguard the Authority's assets. It is important for the Board to establish policies and procedures to provide assurance that cash receipts are adequately safeguarded, accounted for and deposited intact⁴ and in a timely manner. This includes adequate segregation of duties to ensure that no one individual controls all phases of a transaction. When it is not practical to segregate duties, Authority officials should implement effective compensating controls, such as having management review the work performed by staff. In addition, employees' access to the computerized accounting system and housing software should be limited to only those functions necessary to complete their job duties.

The Authority adopted a financial policy handbook (Handbook), which includes cash management policies and procedures, such as segregating key duties, making timely deposits, recording transactions in a timely manner, securing undeposited cash receipts and limiting the amount of cash kept on hand. While the Handbook contains sufficient policies, the Board did not ensure the policies were always followed. Cash receipts duties were not adequately segregated and compensating controls were insufficient. The Authority does not maintain daily cash collection records for each cash drawer to compare to cash on hand and does not follow the procedures for securing cash drawers within designated safes or for depositing cash that exceeds the policy's overnight cash level. Furthermore, cash receipts are not recorded in the accounting system in a timely manner, receipts are not issued for all cash collected and cash receipts books and deposit records do not contain sufficient detail.

Cash Receipts Process – The Handbook requires each employee responsible for a cash drawer to secure their drawer at the end of each business day in the respective location's safe, and it outlines a total overnight limit, which is the maximum amount to be secured in the safe overnight at any time.⁵ The Handbook also requires funds to be deposited and cash receipts to be recorded in a timely manner. In addition, good business practice requires Authority employees to issue receipts for all cash collections and to maintain a daily record of all cash receipts that includes the receipt numbers, dates and amounts

⁴ Intact refers to deposits being made in the same amount and form (i.e., cash or check) as the original collections.

⁵ This limit is a maximum level and is not meant to be maintained on a regular basis. If receipts exceed this amount, cash should be deposited and not held.

collected. Each day the cash on hand should be compared to this daily record and any differences promptly investigated.

The fiscal manager, Accountant, office specialists and site managers collect cash receipts at the central office and at the two complexes (Elmcrest and Geneva Courtyard apartments). Cash receipts consist of tenant rents, HUD subsidies, management service fees and miscellaneous charges (e.g., stamps, photocopies, duplicate keys, coin-operated laundry and vending machines). Tenant rents and miscellaneous charges are usually paid by check, money order or bank draft, but occasionally will be paid in cash. HUD subsidies are received by electronic bank transfers. Authority personnel issue computer-generated receipts to residential tenants for all rent payments. The fiscal manager or Accountant records all cash receipts received in the Authority's housing software prior to deposit. Office specialists and site managers make deposits on a weekly basis for each cash collection location and provide all deposit receipts and bank records to the fiscal manager and Accountant for recordkeeping. After receipts are recorded in the housing software in the individual's account,⁶ the office specialists manually record all cash receipts in the cash receipts books and on a cash receipts summary sheet.⁷ Each month the Accountant reconciles the cash receipts and records the receipts in the accounting system (which is not linked to the housing software) via a single journal entry.

We identified various weaknesses in the cash management process. Receipts are not issued to business tenants⁸ or for miscellaneous charges, and the Authority does not maintain daily cash collection records or perform daily reconciliations between cash received and cash on hand. In addition, while we found cash drawers are secured, they are not secured as prescribed by the Handbook.

To address these weaknesses, we reviewed cash receipts for January 2015, which included 100 deposits totaling \$555,712,⁹ to ensure receipts were properly recorded and deposited. We found minor exceptions such as deposit slips that did not contain sufficient detail and deposits that were late or exceeded the total overnight cash threshold. We were unable to determine if deposits were intact because the cash receipts books and summary sheets did not denote

⁶ Confirmation receipts are generated via the housing software.

⁷ The summary sheet separates receipts by type and is used when making monthly journal entries in the (separate) accounting system.

⁸ Rents from business tenants make up approximately 7 percent of the Authority's tenant receipts.

⁹ The deposits included cash receipts that were collected onsite at Authority locations, checks and money orders that were received by mail and bank transfers.

the method of payment for each cash collection. When deposits are not intact, there is an increased risk that cash receipts could be lost or stolen.

Authority officials were unaware of some of the Authority's specific cash management policies, and the cash overnight level policy itself is unclear on whether the maximum threshold refers to the individual total for each cash collection site or the cumulative total of all collection sites. Not recording cash receipts in the accounting system immediately after receipt, comparing daily cash collections with the records nor making timely deposits greatly increases the risk of misappropriation. Due to the significant amount of cash receipts each month, any misappropriation of funds could be detrimental to the Authority's ability to successfully operate.

Segregation of Duties and Oversight – The Handbook states that key duties and responsibilities in authorizing, processing, recording and reviewing transactions should be separated among individuals. However, we found that both the Accountant and fiscal manager collect cash receipts, record cash transactions and make interbank transfers without adequate management oversight. On a monthly basis, the Accountant and fiscal manager complete bank reconciliations for the respective accounts that each individual manages and review each other's reconciliations. However, the reconciliations are not completed by anyone independent of the accounting processes as required. Authority officials indicated that the fee accountant does review the reconciliations, but we found no evidence of such review.

In addition, access to the housing software and accounting system are not properly restricted. For example, the CEO, Director of Housing Operations, Accountant and fiscal manager all have unlimited user access rights to the housing software and the ability to create and adjust journal entries within the accounting system without prior authorization or review.

Due to the lack of segregation of duties without sufficient compensating controls and the weak controls over user access rights in the computerized environment, combined with the weaknesses we found in the cash receipts process, discrepancies could occur and remain undetected and uncorrected.

Recommendations

The Board should:

1. Adopt procedures to ensure that accounting records are adequate and current, cash receipts are issued for all money collected and daily cash sheets are maintained for each cash drawer.

2. Update its overnight cash level policy to clearly define the maximum amount to be held before deposit or require daily deposits of all receipts.
3. Adopt written procedures for cash receipts that properly segregate the job duties for cash receipts collection among employees or provide additional management oversight of the process.

The CEO should:

4. Ensure that policies and procedures are followed, including the securing of cash drawers in the designated safe at the end of each business day.
5. Ensure deposits are made in a timely manner in accordance with the Board policy.
6. Ensure that user access rights in the accounting system and housing software are limited to only those functions necessary for employees to perform their job duties.

APPENDIX A

RESPONSE FROM AUTHORITY OFFICIALS

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

October 22, 2015

Office of the State Comptroller
Division of Local Government & School Accountability
16 W. Main St, Suite 522
Rochester, NY 14614

The Geneva Housing Authority (GHA) has received the September 25, 2015 draft audit report from your agency relating to the Examination of Cash Receipts for the period October 1, 2015 – June 11, 2015. In addition, the GHA participated in the exit discussion with the assigned OSC Examiners on Wednesday, September 30, 2015.

The following is our position with the report:

Cash Receipts Process

It should be noted that the OSC Report often refers to “cash receipts” throughout this audit report and their definition of cash receipts includes all cash (currency and coin), checks, money orders and bank drafts. The Geneva Housing Authority has a no cash policy that prohibits tenants from paying in cash (currency and coin). Not allowing cash as a form of payment substantially reduces our risk of cash receipts being lost or stolen.

See
Note 1
Page 11

See
Note 2
Page 11

In our financial policy handbook when we refer to cash we are strictly referring to coin and currency. Therefore, in instances where the OSC Report has us not following our handbook for overnight limits of cash receipts, we have to disagree. It is the Authority’s belief we are in compliance with the handbook because it refers to “cash” (currency and coin) not including checks, money orders and bank drafts as the state does. However, the Housing Authority will update our policies to be clearer in our wording of cash and our overnight limit thresholds.

See
Note 2
Page 11

The OSC Report also references that they were unable to determine if deposits were intact because the cash receipts books and summary sheets did not denote the method of payment for each cash collection. Although the receipts books and summary sheets do not denote the method of payment for each collection, the deposit reports do. Each site manager or clerical staff that takes in receipts records those receipts in our software where they classify the payment type (check or money order), and when they prepare their deposits this breaks out on their deposit reports.

See
Note 3
Page 11



Copies of this as well as their deposit slips and tenant receipts are bundled and filed. These deposit reports were reviewed during the OSC audit.

Segregation of Duties

The Geneva Housing Authority is a small authority with limited staff; therefore segregation of duties is not always possible. However, we have an outside fee accountant that reviews all of the work done by the Fiscal Manager and Accountant on a regular basis. He reports any issues directly to the Chief Executive Officer, who then reports monthly to the Board of Commissioners.

See Note 4 Page 11

The OSC Audit Report relating to the Examination of Cash Receipts and this response were reviewed by the GHA's Board of Commissioners at their October 20, 2015 Board meeting. We accept the report as prepared and will look towards submitting the requested corrective action plan.

We 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,

GENEVA HOUSING AUTHORITY

Andrew R Tyman
Chief Executive Officer

Cc: GHA Board of Commissioners

APPENDIX B

OSC COMMENTS ON THE AUTHORITY'S RESPONSE

Note 1

We encourage the Authority to clarify its definition of cash receipts in its policy.

Note 2

There is no formal “no cash policy” in the Handbook. Staff members responsible for collecting payments also stated that there are situations in which they would not refuse currency and coin as a form of payment.

Note 3

While the deposit reports from the housing software may denote payment composition of each collection, the manual cash receipts books and summary sheets are the records the Authority's staff accountant uses when performing reconciliations within the accounting system. Including the composition of each collection in the Authority's records will provide complete documentation for the appropriate parties, when needed, to verify intact deposits.

Note 4

We modified the report to reflect the Authority's statement regarding the fee accountant's review of the work done by the fiscal manager and the Accountant. The report also states that we found no evidence of such review.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed appropriate Authority officials and employees to gain an understanding of Authority operations, procedures over cash receipts and accounting system controls over cash receipts.
- We reviewed the Handbook.
- We reviewed the “user security” report printed from the accounting system to verify whether Authority employees had access to the accounting system based on their current job duties.
- We observed locations where cash receipts were kept until deposit to determine if the locations were secure.
- We judgmentally selected the month of January 2015 for review.¹⁰ In total, we reviewed 100 deposits totaling \$555,712 to determine if receipts were properly recorded and deposited. We compared the cash receipts books to the respective bank statement to ensure that cash receipts were deposited timely. We also compared the cash receipts books to the respective general ledger to ensure that receipts were appropriately recorded. In addition, we reviewed deposit records to ensure they contained sufficient detail.

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.

¹⁰ Due to the potential for increased employee financial pressures immediately following the holidays

APPENDIX D

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
<http://www.osc.state.ny.us/localgov/>

APPENDIX E
OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
Gabriel F. Deyo, Deputy Comptroller

LOCAL REGIONAL OFFICE LISTING

BINGHAMTON REGIONAL OFFICE

H. Todd Eames, Chief Examiner
Office of the State Comptroller
State Office Building , Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware,
Otsego, Schoharie, Sullivan, Tioga, Tompkins Counties

BUFFALO REGIONAL OFFICE

Jeffrey D. Mazula, Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203-2510
(716) 847-3647 Fax (716) 847-3643
Email: Muni-Buffalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie,
Genesee, Niagara, Orleans, Wyoming Counties

GLENS FALLS REGIONAL OFFICE

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396
(518) 793-0057 Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Albany, Clinton, Essex, Franklin,
Fulton, Hamilton, Montgomery, Rensselaer,
Saratoga, Schenectady, Warren, Washington Counties

HAUPPAUGE REGIONAL OFFICE

Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533
(631) 952-6534 Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau and Suffolk Counties

NEWBURGH REGIONAL OFFICE

Tenneh Blamah, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553-4725
(845) 567-0858 Fax (845) 567-0080
Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange,
Putnam, Rockland, Ulster, Westchester Counties

ROCHESTER REGIONAL OFFICE

Edward V. Grant, Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street, Suite 522
Rochester, New York 14614-1608
(585) 454-2460 Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe,
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates Counties

SYRACUSE REGIONAL OFFICE

Rebecca Wilcox, Chief Examiner
Office of the State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428
(315) 428-4192 Fax (315) 426-2119
Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison,
Oneida, Onondaga, Oswego, St. Lawrence Counties

STATEWIDE AUDITS

Ann C. Singer, Chief Examiner
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313