



Mechanicville Housing Authority Tenant Rents

Report of Examination

Period Covered:

October 1, 2013 – July 31, 2015

2015M-246



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	2
Comments of Authority Officials and Corrective Action	3
TENANT RENTS	4
Recommendations	6
APPENDIX A Response From Authority Officials	7
APPENDIX B Audit Methodology and Standards	9
APPENDIX C How to Obtain Additional Copies of the Report	10
APPENDIX D Local Regional Office Listing	11

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

January 2016

Dear 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 Mechanicville 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 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 Mechanicville Housing Authority (Authority) is located in the City of Mechanicville (City) in Saratoga County. The Authority was established in 1951 according to New York State Public Housing Law (Law), Article 13, Section 429. The Authority has six employees consisting of four administrative employees and two full-time maintenance staff. The Authority is the owner, manager and administrator of subsidized, assisted housing projects and programs for qualified individuals in accordance with the relevant provisions of Law and with rules and regulations prescribed by the Federal Department of Housing and Urban Development (HUD).

The operating expenditures for the fiscal year ending September 30, 2014 totaled \$2,237,225. These costs were funded primarily from rental income from tenants and subsidies from HUD. The Authority operates two developments that contain 160 public housing units. In addition, the Authority administers 123 Section 8 Housing Choice Vouchers.

The Authority is governed by a Board of Commissioners (Board) composed of seven members. The City's Mayor appoints five Commissioners and the tenants elect the other two Commissioners. The Board is responsible for the general management and control of the Authority's financial affairs. The Board appoints the Executive Director (Director), who is the Authority's Chief Executive Officer and is responsible for the Authority's day-to-day operations. The account clerk performs the bookkeeping duties and the Authority retains an independent accountant to review bank reconciliations and journal entries.

Objective

The objective of our audit was to examine the Authority's internal controls over the rent payments received from tenants. Our audit addressed the following related question:

- Did the Board develop and implement adequate internal controls over the rent payments received from tenants?

Scope and Methodology

We examined the Authority's internal controls over the receipt of rent payments from tenants for the period October 1, 2013 through July 31, 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 B 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. Authority officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

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.

Tenant Rents

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 tenant rents are adequately supported, safeguarded, accounted for and deposited. Each employee responsible for processing rent payments should be assigned a unique user identification and password in the computerized accounting system so that their changes can be readily identified. It is important to supervise those charged with handling money and ensure a reliable accountability of cash collected.

Preparing and issuing duplicate receipts for the rents collected provides documentation for the rents paid for both the tenants and Authority officials. In addition, rents collected should be deposited intact¹ and as soon as possible to minimize the risk of theft or loss. Authority officials not involved in the accounting for tenant rents should periodically generate and review an audit trail report to ensure that each manual adjustment is legitimate and for Authority purposes. Finally, Authority officials should ensure that rents are paid in a timely manner by enforcing any unpaid rents and fees.

We generally found the Authority has adequate controls over the collection of tenant rent payments. However, Authority officials could strengthen internal controls by assigning a unique user identification and password in the computer system to each employee that collects rent. This will provide accountability by tracking who collects and records each payment received. In addition, Authority officials do not generate and review audit trail reports, which increases the risk that inappropriate transactions could be made without detection. We found minor exceptions with our audit tests of rent collections and adjustments, which we discussed with Authority officials.

Rent Collections – The Board has authorized four employees to collect rent payments and various other payments from tenants. Employees collect these payments at the Authority's business office window. During non-business hours, tenants can place their payments in a locked drop box located at the business office. Rents are paid by cash, check or money order. The computerized accounting application generates a duplicate receipt for each payment received at the window when the payment has been recorded in the program. Each customer is provided with one portion of the receipt, and the Authority staff retains a copy of the receipt to reconcile the cash

¹ Intact means the deposit is in the same form (i.e., cash, check or money order) and amount as the collection.

receipts with the computerized accounting records. When a tenant payment is received in the locked drop box, the customer receipt is retained at the business office and is available for the customer to pick up.

Although the Board authorized four staff members to collect the tenant payments, there were only two unique user names and passwords entered into the computer system. As a result, when two of the four staff members collected rent, they were identified under another employee's user name and were not specifically identified by the computer as the actual employee receiving payments. Without the ability to specifically identify the individual employee completing each transaction, there is lack of accountability and an increased risk that, if errors or discrepancies with collections occur, the person responsible cannot be identified. To mitigate this weakness, each staff member that received a tenant payment initialed the duplicate receipt as a measure of accountability. However, it is a better control for all four employees to be given unique user identifications within the system.

Upon receipt of the tenant payments at the business office window and input into the system, the tenant payment records are automatically updated. At the end of each business day, the occupancy specialist removes the money from the cash drawer, prints a report of the day's collections, places the money and report into an envelope and places the envelope in the safe. However, employees do not complete a cash count at the end of the business day. Therefore, any errors would not be identified and addressed on the same day. On the next business day, the account clerk retrieves the money and report and performs a reconciliation between the cash and checks received to the cash and checks recorded in the system. The account clerk stamps checks and money orders for deposit only. The account clerk prepares a duplicate bank deposit slip and places it into a locked bank bag² with the cash, checks and money orders. The Director has designated two employees not involved with recording and accounting functions to make deposits. Upon returning from the bank, the employee that made the deposit returns a validated bank deposit slip to the account clerk.

We randomly selected and reviewed 24 rent payments in the month of May 2015³ totaling \$6,861, which represents 15 percent of the 160 public housing units' payments collected that month. Except for minor discrepancies that we discussed with Authority officials, each tenant payment was properly accounted for and deposited

² The Authority staff began using a locked bank bag to make deposits during our audit. Prior to our audit, deposits were placed in an unlocked bank bag.

³ We used a random number generator to select the month for testing.

intact and in a timely manner. Due to the significant amount of cash payments received, we also judgmentally selected and reviewed 30 cash payments totaling \$8,110 received in October 2014 and 38 cash payments totaling \$10,434 received in May 2015. We found that each payment received was properly accounted for and deposited intact and in a timely manner.

Adjustments to Rents – Authority officials do not generate or review an audit trail report from the accounting system, which increases the risk that inappropriate adjustments could be made without detection. The accounting system requires manual adjustments for certain transactions, such as the receipt of tenant security deposits, pro-rated rent adjustments, assessing and removing court serving fees, and pet deposits. These manual changes affect the amounts due from tenants for rents and various other fees and services. To determine if manual adjustments were for appropriate Authority business purposes, we judgmentally selected and reviewed 48 manual adjustments entered into the system during May 2015. We found each manual adjustment was for legitimate Authority business purposes.

Enforcement of Unpaid Rent – We reviewed the unpaid tenant receivables report⁴ to determine if the unpaid rents, late payments and other fees were properly enforced. We judgmentally selected one month, August 2015, and selected five tenants, which represented 25 percent of the public housing tenants listed on this report. We reviewed the description of the transaction for each tenant listed and found that each unpaid rent, late fee or other fee was properly enforced and the Authority retained sufficient supporting documentation.

Recommendations

The Board should:

1. Ensure that each employee collecting tenant rents has a unique user name and password in the computer system. This will ensure accountability over who is collecting and recording individual payments.

Authority officials should:

2. Ensure that a cash count is performed at the end of the business day.
3. Generate and review an audit trail report from the financial system to ensure that adjustments were made for appropriate purposes.

⁴ Mechanicville Housing Authority Public Housing Delinquency Report, August 2015

APPENDIX A

RESPONSE FROM AUTHORITY OFFICIALS

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

Mechanicville Housing Authority
2 HARRIS AVENUE, SUITE 1 ♦ MECHANICVILLE, NY 12118
Established 1951

Phone (518) 664-9897
Fax (518) 664-9834

JOHN A. ENZIEN, Executive Director
ANTHONY ACCETTA, Chairman
WILLIAM TEN EYCK, Vice Chairman
CLARA F. DREYMANN, Treasurer

January 11, 2016

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
Division of Local Government & School Accountability
One Broad Street Plaza
Glens Falls, New York 12801

Re: Audit Response

Dear Mr. Leonard:

The Mechanicville Housing Authority Board of Commissioners accepts the Draft Report of Examination on Tenant Rents for period covered October 1, 2013 – July 31, 2015.

The Board of Commissioners is pleased the Report of Examination found no financial discrepancies or questioned costs in the following areas of tenant rents:

1. Rent Collections
2. Adjustments to Rents
3. Enforcement of Unpaid Rent

Since all rent payment, manual adjustments and enforcement of delinquent rent were properly received, accounted for and deposited in a timely manner with appropriate supporting documentation we look forward to receipt of the Audit in final form.

Sincerely:

✓ John A. Enzien, Executive Director

CC: Board of Commissioners

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to examine the Authority's internal controls over the rent payments received from tenants for the period October 1, 2013 through July 31, 2015. To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed Authority officials and employees and reviewed various financial records and reports to gain an understanding of the internal controls over tenant rents.
- We traced 24 tenant payments. We used a random number generator to select our test month (May 2015) and select our sample from the tenant occupant listing. We traced the tenant payment from the duplicate receipt to the accounting records to the cash book and then to the bank statements. Based on our professional judgment, we consider our sample size of 24 tenants, or 15 percent based on the total of 160 units, to be reasonable.
- We judgmentally selected two months (October 2014, which was the beginning of the fiscal year and May 2015, which was the last month of our audit scope) to trace cash-only payments. We traced 30 cash payments totaling \$8,110 made in October 2014 and traced 38 cash payments totaling \$10,434 made in May 2015.
- We reviewed the unpaid tenant receivables report for August 2015⁵ and then verified whether all tenant rents receivable, late fees and other fees were paid and supported.
- We reviewed 48 manual transactions on the audit trail report to determine if the manual adjustments were legitimate and supported.

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.

⁵ The audit scope period is October 1, 2013 through July 31, 2015; however, due to the computerized accounting system, the July 2015 delinquency report was revised due to payments for unpaid rents, late payments and payments for fees.

APPENDIX C

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 D
OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
Gabriel F. Deyo, Deputy Comptroller
Tracey Hitchen Boyd, Assistant 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