



Kenmore Housing Authority

Selected Financial Operations

Report of Examination

Period Covered:

July 1, 2015 – March 22, 2017

2017M-157



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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

January 2018

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 Kenmore Housing Authority, entitled Selected Financial Operations. This audit was conducted pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the New York 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 Kenmore Housing Authority (Authority) is located in the Village of Kenmore (Village) in Erie County. The Authority was established in 1970, pursuant to New York State Public Housing Law (PHL), to provide low-income housing for qualified individuals in accordance with relevant provisions of PHL and rules and regulations prescribed by the United States Department of Housing and Urban Development (HUD). The Authority's operating budget for the 2016-17 fiscal year totaled approximately \$1.1 million and was funded primarily by HUD grants and tenant rental income. The Authority maintains two senior citizen apartment buildings that contain 200¹ housing units.

The Authority is governed by a seven-member Board of Commissioners (Board), five appointed by the Village's Mayor 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 an Executive Director (Director)² who is the chief executive officer and responsible for day-to-day operations, recording financial transactions, depositing receipts and making payments. The Treasurer oversees the accounting operations, including countersigning all checks.

The Authority issued tax-exempt revenue bonds to assist companies and organizations outside the usual territorial jurisdiction of the Authority in building and renovating housing projects. As part of the transaction, the Authority received administrative fees for each bond issuance and recorded the revenue in the recovery fund (Fund) which totaled approximately \$44,000 as of January 31, 2017. Whether or not it was appropriate for the Authority to issue debt for other organizations was not part of the scope of this audit.

Objective

The objective of our audit was to review the Authority's recovery fund and credit/charge card activities. Our audit addressed the following related questions:

- Did the Director properly account for administrative fee financial activity?
- Did the Board establish adequate controls to properly monitor the use of credit/charge cards?

¹ For each building, three apartment units are used for administrative and maintenance storage and a computer lab.

² The bylaws identify the Director as the Housing Manager; however, Authority officials refer to this individual as the Executive Director.

Scope and Methodology

We examined the financial transactions related to the Authority's recovery fund and credit/charge cards for the period July 1, 2015 through March 22, 2017. For certain administrative fee transactions, we extended our scope period back to 2013.

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. Authority officials generally disagreed with our findings and recommendations. 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.

Recovery Fund

The Director is responsible for properly accounting for the Authority's financial activity in accordance with State and federal statutory requirements and the Authority's bylaws. The Board should establish policies and work with the Director to develop procedures to provide assurance that funds are properly accounted for and that annual operating expenditures are wisely and economically spent, in a manner that furthers the Authority's corporate public purpose.

The Director improperly recorded administrative fee financial activity in the recovery fund (Fund). As of January 31, 2017, approximately \$44,000 was improperly segregated during our audit period, and more than \$13,000 was not used in a manner that furthers the Authority's purpose or was not properly approved for payment. Instead, these funds were used for lavish holiday parties for Board members, staff and their guests and for travel stipends for Board members. The administrative fee revenues, which make up the entire Fund's balance, should have been deposited in the general fund because they were generated by using the Authority's ability to issue debt and were not required to be segregated.

During our audit fieldwork, the Board adopted a written policy governing the Fund which the Director said formalized procedures that were already required. The policy indicates that non-federal fund revenues are recorded in the Fund and any regulations regarding federal/public funds do not apply to Fund activity. We discussed this issue with representatives from New York State Homes and Community Renewal³ and HUD, who told us that the administrative fees are not federal funds. As a result, these fees should be recorded in the general fund and used toward expenditures consistent with the Authority's corporate public purpose.

However, because the administrative fees were improperly segregated and then used in ways that general fund money could not be used, most of the 35 disbursements that we examined, totaling \$15,626, were not consistent with the Authority's purpose and/or did not have required approvals (some disbursements had more than one deficiency):

- Twenty-two disbursements, totaling \$10,940 (70 percent of the administrative fees spent), were not consistent with the Authority's corporate public purpose.

³ A State agency whose mission is "...to build, preserve and protect affordable housing and increase home ownership across the state" (<http://www.nyshcr.org/about.htm>).

- o The Authority made five payments totaling \$5,040 for two holiday parties for Board members, staff and their guests. The policy indicates that the funds should be used for “tenant events, local government assistance services, various scholarships and other miscellaneous donations.” However, this statement is misleading because the largest expenditure, of \$2,750 (26 percent of 2015-16 expenditures), was for a holiday party for Board members, staff and their guests. The party reservation indicated that 30 people (15 attendees from the Authority, each bringing a guest) generally attend this event which included appetizers, dinner, dessert and an open bar before and after dinner.

The Treasurer told us that guests do not reimburse the Authority because the amount is minor. However, we calculated that the event cost exceeds \$90 per person, or a total of approximately \$1,350⁴ for the approximately 15 guests attending. Further, from 2013 through 2016, the Authority spent over \$10,000 for similar holiday parties for Board members, staff and their guests, averaging approximately \$2,500 per year. In comparison, the Authority spent \$250 from the Fund to subsidize a 2015 holiday party for 194 tenants at a cost of \$1.29 per person.

- o Ten payments totaling \$3,100 for donations to local organizations and seven payments totaling \$2,800 for travel stipends were for a social/personal purpose rather than the Authority’s corporate public purpose. The Board adopted a resolution in its meeting minutes authorizing Board members and staff to receive \$400 in travel stipends when attending conferences to compensate them for using vacation days from other employment, for time away from family, or to help subsidize a guest at the conference. We found that travelers were reimbursed for their travel expenses, which is allowed by the Board-adopted travel policy, in addition to receiving the stipends.
- Eleven payments, totaling \$4,711, did not have evidence that the Board reviewed and approved the bills for payment. The payments were for tenant-related expenses (\$2,811), a portion of the total costs for the Board’s 2016 holiday party (\$1,800) and a donation (\$100). While the Director’s clerk is responsible for initialing invoices to show the Director’s

⁴ \$90 cost per person x 15 guests = \$1,350

approval, the Board should provide proper oversight to ensure all expenditures are appropriate.

- Thirty-three checks, totaling \$15,031, did not have dual signatures as required by the Authority's bylaws. The Treasurer confirmed that all checks require dual signatures, but told us she signs only the checks that the Director provides to her. The requirement for dual signatures is an additional control to help identify and prevent any errors or irregularities.

Further, while the Director provided Fund reports to the Board twice a year, the reports did not show cash receipt and disbursement activity. Without this information, the Board cannot properly monitor the financial transactions within the Fund.

Recommendations

The Board should:

1. Consult with counsel to determine if some or all of the costs for the holiday parties should be reimbursed to the Authority by the attendees.
2. Seek reimbursement of the travel stipends paid to Board members.
3. Ensure that administrative fee revenues are properly recorded in the general fund and are used for appropriate Authority purposes.
4. Ensure that all bills and invoices are reviewed and approved in a proper claims audit prior to payment.
5. Periodically review canceled checks to ensure that they are countersigned.
6. Provide oversight to ensure that all expenditures further the Authority's corporate public purpose.
7. Ensure that payments comply with the travel policy.

The Treasurer should:

8. Countersign all checks only after supporting documentation is reviewed as required by the bylaws.

The Director should:

9. Properly record administrative fee revenues in the general fund.
10. Ensure that sufficient supporting documentation is attached to each claim submitted to the Board for audit and payment approval.

Credit/Charge Cards

It is critical that the Board oversees the use of credit cards by implementing an effective system of internal controls. The Board should adopt a credit card policy that identifies authorized users, defines spending limits, describes the types and circumstances of purchases allowed and requires prior approval and documentation to support each purchase. The policy also should include the Board's monitoring procedures of credit card use to ensure that all expenditures are a proper use of Authority funds supported with adequate documentation, and ensure that claims for payment are properly audited and authorized by the Board prior to payment. Finally, the Board should require officials to acknowledge their responsibility for credit card use.

The Board did not establish adequate controls to properly monitor the use of credit cards. On April 12, 1995, the Board authorized the Director's and Assistant Director's (Assistant) application and use of a credit card. While this did not authorize officials to obtain and use charge cards (which are different than credit cards), they in fact did obtain charge cards instead of credit cards. Charge cards generally do not have a pre-set spending limit and require the entire balance to be paid off each month. A card with no spending limit is an unnecessary risk. During our audit fieldwork, the Board canceled the charge cards, obtained credit cards and established a credit card policy which does address credit limits.

From July 2015 through January 2017, the Authority made 27 charge card payments totaling \$27,612. There was no evidence that any of these charges were reviewed and approved by the Board or anyone independent of the disbursement process prior to payment. While the Director approves all the bills,⁵ most of the charges (over \$23,000) were on a card issued to him. The Treasurer said she reviews all claims when signing the checks and that her signature on the check represents her own review and approval of the bill; however, this does not constitute a proper audit of claims.

We reviewed all 123 charge card transactions from July 2015 through January 2017 and determined that 24 purchases totaling \$5,247, or nearly 20 percent, lacked sufficient documentation and/or were for a purpose inconsistent with the Authority's corporate public purpose. For example, the charge card was used to pay for a portion of the Board's 2016 holiday party (\$1,700),⁶ flowers for Board members

⁵ The Director directs his clerk to write his initials on the bill to signify his approval.

⁶ This payment was reimbursed by the Fund. For additional information about the expenditure, see previous section, "Recovery Fund."

and staff bereavements (\$369), a staff appreciation luncheon (\$143) and optional “early bird” airline check-in fees (\$150).

We also identified exceptions with 35 charge card transactions totaling approximately \$9,456, as follows:

- Meals – Twelve purchases totaling \$865 exceeded reasonable meal allowances. The Authority’s travel policy indicates that the traveler “will attempt to purchase and order reasonably priced food and beverage.” However, the policy does not specify a maximum allowance or define “reasonably priced.” We reviewed 14 meal transactions totaling \$899 on the charge card and determined that 12 transactions totaled \$521 more than federal government’s General Services Administration (GSA) per diem allowances for meals. For example, the Director and Assistant charged \$184 for a dinner when the dinner portion of the GSA per diem was \$56 (\$28 each), or \$128 over the per diem amount.
- Car Rental – In January 2016, the Director charged \$281 to rent a car in Miami for six days for a conference. However, a review of supplemental documentation showed that he arrived two days before the conference started and was charged a weekly rate for the car. The additional cost of the rental for that period was unnecessary. Further, the Director obtained quotes showing that he could have rented the car for \$20 plus applicable taxes per day.
- Retirement Party – The Authority paid a charge for \$110 in travel expenses⁷ for the Director to attend a retirement party for the Executive Director of the Watervliet and Cohoes Housing Authorities in Albany. There was nothing in the Board minutes to show approval for his attendance.

Finally, 76 transactions totaling over \$16,000, or 58 percent of the 123 charge card transactions we reviewed, were for travel expenses to attend training, including in Las Vegas and Miami. Four Board members attended the Las Vegas conference, but only one provided a training certificate of completion. As a result, without this documentation, the Authority could not demonstrate that the three Board members, who incurred approximately \$8,200 in charges during this trip, actually attended the training.

⁷ An additional \$341 was directly reimbursed to the Director for meal and travel expenses for which he submitted receipts for attending this retirement party.

Recommendations

The Board should:

11. Ensure that all bills and invoices are properly reviewed and approved prior to payment.
12. Provide oversight to ensure that all charges are necessary, reasonable and for a legitimate Authority purpose.
13. Revise its travel policy to define maximum amounts for meals.
14. Ensure that payments comply with the travel policy.
15. Review the questionable charges identified in this report and seek reimbursement where appropriate.
16. Ensure that all attendees of training events submit training certificates of completion or other supporting documentation.

The Director should:

17. Ensure that travel is preapproved by the Board.
18. Ensure that sufficient supporting documentation is attached to each claim and submitted to the Board for audit and payment approval.

APPENDIX A

RESPONSE FROM AUTHORITY OFFICIALS

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



November 28, 2017

Jeffrey D. Mazula, Chief Examiner
Local Government and School Accountability
State of New York
Office of the State Comptroller
295 Main St., Suite 1032
Buffalo, NY 14203 – 2510

**Re: Kenmore Housing Authority
Selected Financial Operations
2017M – 157**

Dear Mr. Mazula:

The Kenmore Housing Authority (the "**Authority**") is in receipt of the Draft Report of Examination (the "**Report**") prepared by the State of New York, Office of Comptroller, Division of Local Government and School Accountability (the "**Comptroller**"). In addition, the Authority Board Chairman and Executive Director participated in an exit conference with Comptroller representatives on November 8, 2017 and the overall results were discussed with the Authority's Board Commissioners (the "**Board**").

I. BUSINESS ACTIVITY (RECOVERY) FUND

The Report sets forth a number of "discoveries". In reality, there are no alleged discoveries, just one misunderstanding of the federal regulations made by the Comptroller that has been titled as a major discovery. The Comptroller has then relied on this misunderstanding to make improper recommendations.

A. Administrative Fees

The Comptroller determined that the Authority improperly recorded administrative fee activity in a Business Activity or Recovery fund (the "**Fund**"). This finding is based on a misunderstanding of federal regulations. In fact, administrative fees should be in the Fund and recording them there was appropriate.

The Authority created the Fund in order to house its non-federal funds. The Board ratified this procedure by establishing a written policy requiring that non-federal funds be deposited into the Fund. This was done to segregate monies in the Fund from the Authority's federal funds.

The Report asserts that the Authority's Executive Director "could not provide us with a legal basis to support this assertion" that the administrative fees were non-federal and therefore, it was appropriate to segregate them into the Fund. Accordingly, the Comptroller discussed this issue with representatives of the U.S. Department of Housing and Urban Development ("**HUD**") who "told us that the administrative fees are not federal funds". Despite this fact, the Comptroller

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See
Note 4
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determined "as a result, these fees should be recorded in the General fund and used toward expenditures consistent with the Authority's corporate public purpose".

The Comptroller's determination defies logic. HUD's position that the Fund consisted of non-federal funds was clear. The Authority's determination to establish the Fund separately from the General fund containing solely federal funds followed HUD's determination. Why would the Authority be required to take clearly non-federal funds, acknowledged to be non-federal funds by HUD, and co-mingle them with federal funds? The result would be to create nothing but audit findings by the Comptroller and HUD itself.

See
Note 2
Page 19

B. Federal Funds

Public housing authorities are not governed by HUD. In fact, none of the federal regulations governing the use of public housing monies apply to a public housing authority. If, however, a public housing authority chooses to participate in HUD's public housing program, such authority would enter into a Consolidated Annual Contributions Contract ("**ACC**") with HUD. The ACC carries with it the obligation to follow all of the rules and regulations promulgated by HUD with regard to funds received under the U.S. Housing Act of 1937, as amended (the "**Act**"). These rules and regulations designate public housing funds and monies derived or earned from public housing properties to be "federal funds". These funds must only be used for designated purposes as specified by HUD. Similarly, if the public housing authority desires to avail itself of a Section 8 program, it would sign another ACC with regard to such program. Once again, the ACC would, by contract, make the housing authority obligated to follow all the rules and regulations promulgated by HUD with regard to the Section 8 program.

The Act, and the regulations promulgated by HUD, restrict the purpose to which federal funds derived from the Act may be used. When the Authority issued bonds, it earned an administrative fee. This fee was earned outside of the public housing or Section 8 programs and is thus considered to be non-federal funds with none of the restrictions promulgated by HUD. This was confirmed to the Comptroller by HUD itself.

Pursuant to HUD's Financial Management Handbook, where a public housing authority earns certain fees, including administrative fees, it may use such fees in any way it desires. This is confirmed by OMB Circular A-87. Additionally, HUD's Public and Indian Housing Low Rent Technical Accounting Guide (7510.1G) clearly states the five (5) primary sources from which the general fund is derived: administrative fees earned is not one of them. Of course, if the funds are then co-mingled with federal funds derived from the Act, their use could be blurred. Accordingly, best practices are to segregate the funds into separate accounts. The Authority properly accounted for these funds and placed them in the Fund, thus segregating the administrative fees from the federal taxpayer funds it receives from HUD.

See
Note 2
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See
Note 5
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These funds were properly deposited into the Fund because they are unencumbered and available for the Authority's use and benefit. The only restriction on these funds is that they be utilized for purposes as agreed upon by the Board. The Board determines, in its sole discretion, what constitutes an appropriate purpose. It is not up to the Comptroller to override a board

See
Note 2
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appointed by elected officials. Moreover, it is wholly inappropriate for the Comptroller to even suggest that the funds be mixed with the Authority's federal funds in the general fund. To do so, would be to improperly blend public housing funds with administrative fees.

See
Note 2
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C. Holiday Dinners

The Comptroller points out that five payments, totaling \$5,040, were used for two holiday parties within a 24-month period. The Comptroller then describes the parties as "lavish holiday parties" for Board members, staff and their guests.

The Comptroller completely ignores the underlying facts. The dinners included approximately 30 people. These people were first and foremost Board members. The Board members perform a valuable public service. They are visibly responsible for the property management of a vast real estate enterprise. They are asked to understand many rules and regulations and keep themselves informed. In fact, a Board member must know the purpose, goals, policies and programs of the Authority. He or she has to be prepared for and involved at Board meetings, advocate for the Authority within the community and do it all without any compensation whatsoever.

Staff were also invited to the holiday dinners. Staff, at a public housing authority, are not well payed. They work long hours in an attempt to provide housing for those less fortunate. Once a year, the Authority has a holiday dinner. It is able to have the holiday dinner because it has carefully fostered the growth of a few non-federal funds. Spending \$2,500 a year on a 30 person dinner for the Authority Board and staff is hardly lavish. Moreover, the Comptroller does not have the authority to begrudge the Authority, Board and employees a simple once-a-year gathering to celebrate the holiday season. Furthermore, since the Board does not award annual bonuses to the staff (which is acceptable with the use of federal money), the Board expresses their gratitude in continuing to obtain and achieve the Authority-wide "High Performer" designation by HUD with the annual holiday dinner.

See
Note 6
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D. Annual Audit

The Comptroller, in its Report, also ignores the fact that the Authority has an annual audit performed by a Certified Public Accountant. This audit is mandated by HUD and is provided to HUD at the end of each fiscal year. The auditors have, therefore, audited the Authority's books and records every year and have not once suggested that the Fund or its use was in any way inappropriate. On the contrary, the Authority has received flawless audit reports each year.

See
Note 7
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Overall, the Authority is proud of its fiscal records and responsibilities. It has been able to provide for the residents of Kenmore, while at the same time growing a small, non-federal fund. The Comptroller audited the Authority for a period of over 20 months. At the end of the day, the Comptroller was only able to disagree with the existence of the Fund, consisting of monies earned by the Authority, and utilized for a holiday dinner and Board travel on behalf of the Authority for

continued Board training. While we understand the Comptroller's desire to find some level of wrongdoing, creating one from thin air is simply unprofessional. Moreover, the Authority has a federal audit completed annually and **all** financials (established under the HUD regulations) are submitted electronically to HUD headquarters in Washington D.C. for review. The annual audit clearly denotes and illustrates the three (3) classifications of monies possessed by the Authority: Operational Fund, Capital Fund and the Business Activity Fund (which again bears repeating, is separate from any and all federal and state funds). Finally, the annual federal audits for the Kenmore Housing Authority have **not** shown a single "finding" for the past 35+ years of this agency.

See
Note 2
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See
Note 6
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II. CREDIT CARD CHARGES

While conducting the audit of the Authority's financial records, the examiner did note the existence of a 1995 "charge card" which is not the Board approved credit card. We thank the examiner for bringing this matter to our attention. The Board subsequently approved the cancellation of the charge card at the next board meeting and authorized the Executive Director to secure a new credit card with a defined credit limit. Additionally, it should also be noted that the Board approved a new credit card policy for the Authority on March 15, 2017 and addresses and establishes authorized users, processing transactions, analyzing monthly statements, procedures to follow on internet purchasing and overall credit card security.

The Authority disagrees with the Report's contention that 24 purchases totaling \$5,247.00 lack sufficient documentation and/or were for a purpose inconsistent with the Authority's purpose. Three purchases in particular, - inter-department transfers and all fully reimbursed - total \$4,213.73 (approximately 80% of the original questioned amount) were for two of the holiday dinners (since it is clearly stated in the Business Activity - Recovery Financial Policy, that no credit card currently exists for that specific fund) and for office expenses from a state housing association.

OMB Circular A-87 (Cost Principles for State, Local and Indian Tribal Governments) specifically states that employee morale-related expenses are allowable. In other examinations, the Comptroller agreed with that determination. For example, in 2008M – 92, a New York State Comptroller's audit of another local housing authority, the housing authority spent (over a two-year period) \$48,350 for employee morale. This included holiday parties, retirement parties, gift cards and recognition of department heads. In that audit, the Comptroller stated, "the use of money for more outbuilding activities is allowable." Thus, the Comptroller's office should be **consistent** in examining and issuing its reports. If the Comptroller believes \$48,350 is acceptable, then surely \$5,040 is not excessive,

See
Note 8
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The Authority also disagrees with the car rental issues set forth in the Report. The car was rented for five (5) days, not the listed six (6). Moreover, the Comptroller's logic is flawed. The Comptroller states that the training conference was for three (3) days. While that is true, any significant travel away from Kenmore, NY to attend a training conference requires a day of travel before and after (which totals five days).

See
Note 9
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Finally, the travel expenses listed and questioned in the Report were primarily for the 2016 PHADA conference which was located in downtown Miami, FL, next to the financial business district. Meal prices for breakfast, lunch and dinner were quite excessive no matter where the attendees ventured to eat. And while the Report lists an example of dinner expenses exceeding the GSA allowance for meals, it does not take into account the fact that certain individuals did not eat either breakfast or lunch and/or both. The current Travel Policy of this Authority states, "traveler will attempt to purchase and order reasonably priced food and beverage." To reiterate, the location of this specific conference was unfavorable to the overall meal costs. Furthermore, a recap of all 2017 training conferences was completed by the Executive Director for the three (3) such training conferences attended and the overall meal allowances purchased - for all attendees - were 18% lower than the GSA listed for those specific training locations.

III. RECOMMENDATIONS

With regard to the Comptrollers recommendations, we respond as follows:

1 & 2. The Board has consulted with counsel and for the reasons set forth herein has determined that the expenses were appropriate.

3, 4, 6, 7. The Board disagrees with these recommendations; the Authority has always handled these matter correctly.

5, 8. Pursuant to the Authority's new Financial Policy/Procedure for the Business Activity Fund which was approved on January 18, 2017, all checks for expenditures (once Board approved) will be countersigned.

9. The recommendation to record administrative fees in the general fund is incorrect as set forth herein and will not be done.

10. This recommendation is already being performed.

11. The Board will discuss the noted recommendation. However, it is the job of the Executive Director and management to oversee purchases and approve credit card charges prior to payment.

12. The Board is apprised of all authority expenditures arising from the daily operation of the Authority. A detailed disbursement summary is distributed and discussed in length at every Board meeting and forms part of the overall monthly Treasurer's Report. Additionally, all monthly expenditures are available for Board review and are contained in the expense folder located on the board table.

13. The Board may discuss the possible option of utilizing the standard GSA meal allowances for upcoming training conferences but past travel expenditures have met the GSA rates and thus, the current travel policy is acceptable.

14. Current credit card payments comply with the current travel policy,

15. The Board will review the questionable charges identified in this report and if appropriate, seek reimbursement,

16. Attendees of training events may or may not receive certificates of completion. This depends on which specific training conference they attend and also which training sessions they attend. An attendee can be present for various training sessions which are of significance, but not all of them will pertain to one specific course. Thus, those individual(s) would not necessarily receive a training certificate of completion.

17. The Board already established a new credit card policy with the maximum credit limits established effective March 15, 2017. This was presented to the examiner and given the fact that this Report covers the period through March 22, 2017, we are unsure why it still remains a recommendation.

See
Note 3
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18. The Board, at the March 15, 2017 Board meeting, approved not only the cancellation of the former Authority charge card but the implementation of a new credit card with an approved credit limit. Again, this information was submitted to the examiner and since the Report covers the period through March 22, 2017, we are unsure why it still remains a recommendation.

19. The Board approves of any distance-related training conferences. The Board also approves of the annual Public Housing Operating Budget ("**Operating Budget**"). The Operating Budget has a line item specifically for travel expenses, so any miscellaneous sessions or events, HUD meetings, regulatory update meetings and/or any other related matters as determined by the Executive Director (and within the travel budget) will be attended, to effectively conduct operations.

20. Any and all such invoices and related expenditures by the Authority, whether on the credit card or a normal operating expense (vendor payment), must **always** possess supporting documentation.

Despite the Comptrollers assertions on many matters, the Authority continues to effectively manage its low-income public housing program. It continues to strive to provide the best available housing for the 200 + residents under our jurisdiction and the High Performer designation under HUD's Public Housing Assessment System (PHAS), for numerous reoccurring years attest to that.

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

Very truly yours,

Stephen V. Stone
Executive Director

APPENDIX B

OSC COMMENTS ON THE AUTHORITY'S RESPONSE

Note 1

We assume the Authority means “findings” when using the word “discoveries.”

Note 2

As noted in our report, the administrative fees discussed are not federal funds and there is no statutory requirement for the administrative fees to be restricted from general operations. Further, governmental units should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established. As a result, these funds should be included in the general fund and used toward Authority expenditures that are in accordance with the Authority's corporate public purpose.

Note 3

The draft report was revised after our exit conference and we promptly provided an update to Authority officials to advise them that they should base their response accordingly.

Note 4

We did not state in our report that “it was appropriate to segregate them into the Fund.”

Note 5

The administrative fees are not federal funds. As a result, the OMB Circular A-87 does not apply.

Note 6

The New York State Comptroller is authorized by the New York State Constitution to audit the books and records of the State's municipal housing authorities, and may make findings and recommendations as to the effective and efficient use of taxpayer money. As noted in our report, Authority expenditures should be wisely and economically spent, in a manner that furthers the Authority's corporate public purpose.

Note 7

Our audit authority is independent of any audit requirement mandated by HUD. As such, we are not required to rely on the findings of the Authority's annual audit.

Note 8

Unlike the report that the Authority references, the OMB Circular A-87 does not apply here because the administrative fees are not federal funds.

Note 9

We revised the draft report. The invoice for the car rental indicates that the rental was from January 8 through January 13, 2016. The Authority was charged a weekly car rental rate and the conference was held from January 10 through January 13, 2016. Furthermore, the rental invoice indicates that the car was picked up on the morning of January 8, 2016 (two days before the conference started) and returned approximately two hours before the conference ended on January 13, 2016.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

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

Recovery Fund

- We asked Authority officials about Fund policies, procedures and oversight functions.
- We reviewed the Board-adopted Fund policy and tested compliance with that policy.
- We reviewed the bank statements and check images to determine whether administrative fee financial activity was properly accounted for in the financial records.
- We reviewed all 35 Fund disbursements totaling \$15,626 from July 2015 through January 2017 to determine if there was supporting documentation (invoices and receipts) and whether the expenditures were for a corporate public purpose of the Authority or benefited the tenants. We also reviewed invoices/bills to determine whether the Board properly reviewed and approved them prior to payment.
- We verified bank transfers within the Fund bank accounts matching the amounts and dates of transactions.
- For holiday party expenditures, we extended our scope back to December 2013.
- We verified the June 30, 2016 and January 31, 2017 bank reconciliations and compared them with the amounts reported to the Board.

Credit/Charge Cards

- We asked Authority officials about credit/charge card policies, procedures and oversight functions.
- We reviewed charge card statements to determine who was issued a card. We also reviewed Board minutes to determine whether card users were authorized.
- We identified charge card payments and reviewed the statements to determine whether there were any cash advances.
- We reviewed charge card statements to determine whether all 123 transactions from July 2015 through January 2017 totaling \$27,612 were properly reviewed and approved and were for the Authority's corporate public purpose. We also reviewed charge card rewards and fees.
- We reviewed the travel meal expenditures and compared them to GSA per diem rates.

- We requested travel conference training certificates to determine whether officials attended the conference.

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 D

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