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November 2016

James Mirando, Executive Director
Members of the Board of Commissioners
Elmira Housing Authority
737 D Reservoir Street
Elmira, NY 14905

Report Number: S9-15-75

Dear Mr. Mirando and Members of the Board of Commissioners:

The Office of the State Comptroller works to help housing authority officials manage their resources efficiently and effectively and, by so doing, provide accountability for dollars spent to support authority operations. The Comptroller oversees the fiscal affairs of authorities, 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 operations and governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard assets.

In accordance with these goals, we conducted an audit of six municipal housing authorities throughout New York State. The objective of our audit was to determine whether municipal housing authorities' administrators¹ were incurring inappropriate expenditures or receiving compensation beyond what is legally allowed. We included the Elmira Housing Authority (Authority) in this audit. Within the scope of this audit, we examined the policies and procedures of the Authority and reviewed administrative expenditures for the period January 1, 2012 through November 2015. This audit was conducted pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution.

This report of examination letter contains our findings specific to the Authority. We discussed the findings and recommendations with Authority officials and considered their comments, which appear in Appendix A, in preparing this report. Authority officials generally agreed with our recommendations and indicated they planned to initiate corrective action. At the completion of our audit of the six authorities, we prepared a global report that summarizes the significant issues we identified at all of the authorities audited.

¹ For the purposes of this audit, administrators are defined as the Executive Director and Members of the Board of Commissioners.

Summary of Findings

We did not identify any inappropriate expenditures incurred by Authority administrators; however, we did find instances of inadequate control and oversight. Specifically, the Authority had no credit card policy in place. Further, the Board-adopted travel policy was not followed, which resulted in travel costs in excess of policy guidelines.

We did find that the Executive Director received compensation in accordance with his employment agreement and members of the Board of Commissioners (Board) are not compensated.

Background and Methodology

Housing authorities are public corporations created by special act of the New York State Legislature to generally provide affordable housing to citizens with lower incomes.² Funded primarily by United States Department of Housing and Urban Development (HUD) grants, most of the 141 active housing authorities around the State (140 outside of New York City) manage both public housing units and a Section 8 housing vouchers program. Section 8 of the federal Housing Act of 1937 authorizes the payment of rental housing assistance to private landlords on behalf of low-income families, the elderly and the disabled through the Housing Choice Voucher Program.

The Authority is located in the City of Elmira (City) and was created to address the housing needs for low- to moderate-income citizens of the City. The Authority's operating expenditures totaled \$4.6 million in 2014. These costs are funded primarily by HUD.

The Authority is governed by a seven-person Board consisting of five members appointed by the City's Mayor and two tenant members that are voted in by a group of their peers. The Board oversees the Executive Director and staff that carry out the daily duties and responsibilities of the Authority. The Authority's staff performs admissions, maintenance, property management, administrative and resident service duties.

The Authority's mission is to provide decent, safe, sanitary and affordable housing to low-income citizens of the City. The Authority has 15 full-time employees that provide the day-to-day operational support for 479 public housing households located throughout the City. The Authority does not operate the Housing Choice Voucher Program.

To complete our audit objective, we interviewed Authority officials, reviewed policies and performed testing on administrative expenditures. We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). More information on the 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.

² See New York State Public Housing Law, Article 13.

Audit Results

The Board is responsible for the management of Authority funds, including providing appropriate direction and oversight to ensure that funds are expended for only legitimate purposes and in accordance with the Board's directives. Costs incurred by the Authority should be both necessary and reasonable for the day-to-day operation of the Authority and in support of fulfilling its mission. This includes expenditures related to, or on behalf of, administrators at the Authority as well as any compensation provided for services rendered.

Credit Card Expenditures – The Authority and its Board should implement policies and procedures to ensure that credit card use is appropriately restricted to authorized cardholders and used exclusively for allowable and reasonable Authority mission-related expenditures. Associated expenditures should be consistent with the Authority's procurement policy, require the cardholder to provide adequate documentation and review of expenditures and ensure appropriate supervisory authorization of charges prior to payment.

We found the Authority has not adopted and implemented policies and procedures to adequately address these criteria. In our testing of all major credit card transactions paid during our audit scope period totaling \$34,926, we reviewed a September 2014 transaction in which two sets of airline tickets were purchased online relating to the same staff travel. Authority management stated that the first set of tickets was issued in error and a \$580 credit was sought from the vendor. Subsequently, the Authority paid for both sets of tickets and a credit had not been issued to the Authority as of the end of our fieldwork. As a result of our audit, Authority officials have contacted the vendor to secure the credit due. A comprehensive credit card policy, which precludes the authorization and payment of disputed transactions, would have prevented the Authority from paying the disputed charges associated with this transaction.

Travel Expenditures – Adequate controls over travel by Authority staff are required to ensure travel costs are reasonable and for a business purpose. The Authority's travel policy should establish reimbursable expenditures and delineate expenditure limitations. Further, the policy should confirm pre-approval requisites, list documentation requirements to support expenditure verification and reconciliation and provide for supervisory review prior to payment of travel-related expenditures.

We found the Authority has adopted and implemented travel policies and procedures to adequately address these criteria. However, in our testing of travel-related expenditures paid during our audit scope period for Authority executives, Board members and staff, we identified a transaction which was not in compliance with that policy. Authority policy states that "travel shall be by the most direct and least expensive mode possible, any person traveling by a more expensive mode of transportation or indirect route shall bear the additional costs incurred."

We noted an instance, which was reviewed and approved by the Executive Director, where a staff member and her spouse attended a conference in Atlanta, Georgia, in which the Authority paid

\$1,512³ in driving and associated costs. We determined that the cost of air travel for the staff member, at a comparable time of year and duration, would have amounted to approximately \$480.⁴ Accordingly, the Authority would likely have absorbed \$922⁵ less in travel costs related to this trip had its adopted policy been followed.

The remaining travel expenditures we examined had requisite pre-approvals, appeared to have a business purpose, and were in compliance with established guidelines as to type, limitations and documentation. Further, all travel expenditures were appropriately reviewed prior to payment.

Executive Compensation – Authority employment contracts or agreements should manifest the best interest of taxpayers and compensation should be limited to what is specifically stated in those documents. Contracts or agreements with administrators should be approved by the Board and should establish total compensation including all benefits to be provided.

We found the Board has approved an employment agreement with the Executive Director, clearly establishing total compensation including all benefits and accommodations to be provided under the agreement. Our testing of earnings records, employee benefit disbursements, credit card charges, vendor payments and rent rolls did not identify any compensation that was not specifically provided for in the agreement.

Board Member Compensation – The compensation of board members should conform to limitations imposed by State and federal law and regulations. Total compensation includes the value of all wages and benefits provided. The New York State Public Housing Law authorizes a board chairperson to receive a maximum of \$2,500 a year in per diem compensation while board members are allowed \$2,000. Federal agreements⁶ also stipulate that any revenues associated with a federal housing project cannot be used for compensating board members.

We found that the Authority provided no compensation to Board members during our audit scope period. Further, our audit testing of earnings records, employee benefit disbursements, credit card charges, vendor payments and rent rolls did not identify any compensation paid to Board members.

Recommendations

The Board should:

1. Adopt and implement a comprehensive credit card policy that ensures there are adequate controls and oversight of all expenditures.

³ Costs include: \$1,018.90 (mileage reimbursement), \$108.21 (lodging for return trip) and \$385.20 (flight for spouse for a related conference that was not attended due to extraordinary circumstance.) Lodging costs for the trip down to Atlanta were not included. Per Authority officials, the employee paid for that lodging (no receipt was provided by employee) to compensate for the Authority's payment of the spouse's airline cost of \$385.20.

⁴ We arrived at the \$480 estimate by using a similar date range of the 2015 trip in a search for future airfare in 2016; both date ranges being a Sunday to Friday. We used a rate from a travel website and, to be conservative, did not use the cheapest rate to account for other potential factors and fees.

⁵ \$1,512 in costs identified in Footnote 4 minus the estimated flight cost (\$480) and estimated value of lodging based on cost of lodging for the return trip (\$110).

⁶ Consolidated Annual Contributions Contract, Part A, Section 14; signed between HUD and the Authority

The Executive Director should:

2. Continue efforts to collect the \$580 credit for the airline tickets.
3. Ensure that staff complies with the established travel policy.

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. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review.

We thank the officials and staff of the Authority for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

RESPONSE FROM AUTHORITY OFFICIALS

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

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July 6, 2016

Office of the State Comptroller
Division of Local Government & School Accountability
PSU-CAP Submission
110 State Street, 12th Floor
Albany, New York 12236

REGARDS: Audit Report Number S9-15-75-Response and Corrective Action Plan

Dear Sirs:

The Elmira Housing Authority is in receipt of the Office of the State Comptroller Audit Report and accepts the summary of findings and recommendations as listed on page four and five of the Audit Report without provocation.

Furthermore, the Board of Commissioners of the Elmira Housing Authority has adopted a new Credit Card Policy for the Elmira Housing Authority, see attached policy, as recommended in the Audit Report.

As part of the findings, the Executive Director of the Elmira Housing Authority will continue his efforts to collect the credit of \$580.00 from the airline [REDACTED]. As of this date, no response has been made from [REDACTED] and the Authority will seek legal means to collect.

The Elmira Housing Authority's Travel Policy has been reviewed to the staff for future travel considerations and all travel approvals will be reviewed by the Executive Director for payment.

The Elmira Housing Authority Board of Commissioners thanks the Auditors from Office of the State Comptroller Departments for their timeliness and completeness of the audit report and most importantly their recommendations for improving the operation and identifying strategies to reduce costs and strengthen the controls of the Elmira Housing Authority.

Sincerely,
Elmira Housing Authority

Elmira Housing Authority

Patsy DiChiara
Chairperson

James A. Mirando
Executive Director

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

We reviewed the Authority's administrative costs for the period January 1, 2012 through November 2015. To achieve our audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed Authority officials and staff to gain an understanding of the Authority's policies and procedures associated with the authorization and payment of administrative expenditures.
- We obtained all Authority credit card statements for the audit scope period and determined whether all purchases were accompanied by appropriate supporting documentation and whether purchases, approvals and payment were in compliance with Authority policy and in accordance with the Authority's mission statement.
- We obtained all expenditure report documents for staff identified by our credit card testing as having incurred travel expenditures paid for by the Authority. We reviewed and summarized all staff travel identified and selected all four conferences attended by the Executive Director and judgmentally selected six conferences associated with other staff for audit testing based on job title and expenditure of travel for a total of 10 conferences reviewed in audit testing. For the items selected, we determined whether the travel had been preauthorized and properly documented and whether the individual elements of the travel cost were in compliance with the Authority's travel policy.
- We obtained copies of employment contracts and Board resolutions relating to compensation and reconciled approved compensation to Authority payroll records.
- We judgmentally reviewed a sample of Authority disbursements by selecting a different month, for three years, related to health benefits and reviewed the annual report on retirement benefits in each year of the scope period to determine whether expenditures were in compliance with regulations and Authority policy.
- We obtained the Authority's auto insurance policy and determined whether the listed vehicles were used directly in the performance of the Authority's mission.
- We selected a judgmental sample of 12 vendors from Authority records based on the likelihood that personal expenditures could be incurred on behalf of administrators at that vendor and judgmentally reviewed a sample of invoice charges based on dollar value and month incurred to determine whether the charges had a legitimate business purpose.
- We reviewed Authority rental logs to determine whether any rental units were being provided to administrators or commissioners on a subsidized basis.

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.