



**Adams Metropolitan Housing Authority
Manchester, OH**

Public Housing Program



Issue Date: July 31, 2014

Audit Report Number: 2014-CH-1005

TO: Shawn Sweet, Director of Public Housing Hub, 5DPH

//signed//

FROM: Kelly Anderson, Regional Inspector General for Audit, 5AGA

SUBJECT: The Adams Metropolitan Housing Authority, Manchester, OH, Generally Used Public Housing Program Funds in Accordance With HUD's and Its Own Requirements

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG), final results of our review of the Adams Metropolitan Housing Authority's public housing program.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at (312) 353-7832.



July 31, 2014

**The Adams Metropolitan Housing Authority,
Manchester, OH, Generally Used Public Housing
Program Funds in Accordance With HUD's and Its Own
Requirements**

Highlights

Audit Report 2014-CH-1005

What We Audited and Why

We audited the Adams Metropolitan Housing Authority's public housing program as part of the activities in our fiscal year 2014 annual audit plan. We selected the Authority based on a request from the U.S. Department of Housing and Urban Development's (HUD) management. Our objective was to determine whether the Authority used public housing program funds in accordance with HUD's and its own requirements.

What We Recommend

This report contains no recommendations, and no further action is necessary with respect to this report.

What We Found

The Authority generally used public housing program funds in accordance with HUD's and its own requirements. Specifically, it generally (1) used public housing program funds for authorized and eligible expenditures and (2) complied with HUD's and its own procurement requirements.

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BACKGROUND AND OBJECTIVE

The Adams Metropolitan Housing Authority was established in 1974 under the Ohio Revised Code Section 3735.27 to engage in the acquisition, development, leasing, and administration of a low-rent housing program. A five-member board of commissioners oversees the Authority. These members are appointed to a 5-year term and are not compensated for their services. The mayor of the Village of Manchester, OH, appoints two members. The Adams County Probate Court, the Adams County Common Pleas Court, and the Adams County Board of Commissioners each appoint one member.

The board's responsibilities include setting policies and appointing the Authority's executive director. The executive director is responsible for ensuring that policies are implemented and managing the day-to-day operations of the Authority's programs. The Authority administers public housing and Section 8 Housing Choice Voucher programs funded by the U.S. Department of Housing and Urban Development (HUD). As of May 2014, it operated 141 public housing units and had 276 Section 8 units under contract and was authorized to receive \$916,035 in Section 8 program funds for the fiscal year. HUD also authorized the Authority the following financial funding for its Public Housing Operating and Capital Fund program grants for fiscal years 2012 and 2013:

Fiscal year	Public housing operating funds	Capital funds
2012	\$514,890	\$172,983
2013	492,586	166,207
Total	\$1,007,476	\$339,190

We selected the Authority based on a request from the U.S. Department of Housing and Urban Development's (HUD) management. HUD expressed concern about the Authority's use of its public housing operating and capital funds. Our objective was to determine whether the Authority used public housing program funds in accordance with HUD's and its own requirements. Specifically, we wanted to determine whether the Authority (1) used public housing program funds for eligible expenditures and (2) complied with HUD's and its own procurement requirements.

RESULTS OF AUDIT

The Authority Generally Used Public Housing Program Funds in Accordance With HUD's and Its Own Requirements

The Authority generally used public housing program funds in accordance with HUD's and its own requirements. Specifically, it generally (1) used public housing program funds for authorized and eligible expenditures and (2) complied with HUD's and its own procurement requirements.

The Authority Generally Used Public Housing Program Funds for Eligible Items

We reviewed the Authority's disbursements of public housing program operating funds for the periods October 1 to December 31, 2011 (261 checks totaling \$145,003), and June 1 to September 30, 2013 (355 checks totaling \$174,768), along with supporting documentation. The Authority generally used public housing program funds for eligible items.

We also reviewed 142 bank credit card purchases totaling \$24,703 charged to the Authority's public housing programs during the period October 2011 through September 2013 to determine whether the purchases were authorized and used for eligible expenses. We reviewed voucher request forms, approvals of requests, receipts, and other documentation supporting the credit card expenditures. The Authority generally used public housing program funds¹ to pay for eligible purchases.

As of May 30, 2014, the Authority had expended only \$35,128 of its fiscal year 2012 capital funds on dwelling equipment. Therefore, we reviewed the Authority's 5-year and annual plans, drawdowns from HUD's Line of Credit Control System, invoices, and canceled checks for the expenditures. The invoices showed that the funds were spent on cabinets; electric water heaters; refrigerators; and heating, ventilation, and air conditioning equipment. The funds were spent appropriately.

¹ During our review, we determined that the Authority paid all expenses from its public housing program account and the Section 8 program reimbursed the program for the expenses allocable to the Section 8 program.

The Authority Generally Complied With HUD's and Its Own Procurement Requirements

During our audit period, we identified 11 contractors or vendors that received payments totaling \$135,488. We reviewed the contracts for 3 of the 11 contractors or vendors that collectively received payments totaling \$38,540 (28 percent of the total) for compliance with HUD's and the Authority's small purchase procurement requirements. The Authority received an adequate number of bids and selected the lowest bid for the contracts reviewed. We also reviewed the invoices, canceled checks, and other documentation and determined that the costs were adequately supported.

In reviewing the Authority's payments to its contractors, we identified one contractor that received payments totaling more than \$39,438 in fiscal year 2012. Therefore, we extended our audit period to include that procurement, which occurred in April 2011. We reviewed the Authority's public housing plans, invitation to bid, formal public advertisement, bid tabulation sheets, and other procurement documentation used to support the selection of the contractor. The Authority properly procured the contract. We also reviewed the canceled checks and other support documentation and determined that the costs were adequately supported.

Recommendations

This report contains no recommendations and no further action is necessary with respect to this report.

SCOPE AND METHODOLOGY

We performed our onsite audit work at the Authority's office at 401 East 7th Street, Manchester, OH, between November 5 and December 13, 2013, and HUD's Cleveland field office. The audit covered the period October 1, 2011, through September 30, 2013, but was expanded as determined necessary.

To accomplish our objective, we reviewed

- Applicable laws, regulations, parts A and B of the annual contributions contract between the Authority and HUD, HUD's program requirements at 24 CFR (Code of Federal Regulations) Parts 85 and 941, The United States Housing Act of 1937 as amended, 42 U.S.C. (United States Code); HUD Guidebooks 7485.3G and 7510.1G, and HUD Handbooks 7475.1 and 7460.8.
- The Authority's declaration of trusts; accounting records; bank statements; check register; contract files; policies and procedures; board meeting minutes from April 2011 through September 2013; organizational chart; 5-year and annual plans; and independent auditor reports for fiscal years 2011, 2012, and 2013.
- HUD's files for the Authority.

We also interviewed the Authority's employees and HUD staff.

We reviewed 100 percent of the Authority's disbursements of its Public Housing Operating and Section 8 program funds for the randomly selected periods October 1 through December 31, 2011 (261 checks totaling \$145,003), and June 1 to September 30, 2013 (355 checks totaling \$174,768). We also reviewed 100 percent of the Authority's credit card transactions from October 1, 2011, through September 30, 2013; thus 142 bank credit card purchases totaling \$24,703. We reviewed the disbursements to determine whether the costs were necessary and reasonable.

During our audit period October 1, 2011, through September 30, 2013, we conducted an analysis of the Authority's check register, and identified 11 contractors or vendors that received payments in excess of \$1,000 but under \$25,000 totaling \$135,488. We randomly selected for review the contracts for 3 of the 11 contractors or vendors which collectively received payments totaling \$38,540 (28 percent of the total), for compliance with HUD's and the Authority's small purchase procurement requirements.

We selected another contractor that received payments totaling \$39,438 in fiscal year 2012. Although the procurement occurred in April 2011, since this was the only contractor that received payments totaling more than \$25,000, we reviewed the Authority's procurement of the

contractor for compliance with HUD's and the Authority's procurement requirements under the sealed bids procurement method.

To achieve our audit objective, we relied in part on computer-processed data in the Authority's database. We used the computer-processed data to select a sample of client files for review. Although we did not perform a detailed assessment of the reliability of the data, we did perform a minimal level of testing and found the data to be adequate for our purposes.

We also provided our discussion draft audit report to the Authority and HUD's staff during the audit. We asked the Authority's executive director to provide written comments on our discussion draft audit report by June 30, 2014. The executive director chose not to comment on the report.

We conducted the audit in accordance with generally accepted government auditing standards. 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(s). We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

INTERNAL CONTROLS

Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

Relevant Internal Controls

We determined that the following internal controls were relevant to our audit objective:

- Effectiveness and efficiency of operations – Policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Reliability of financial reporting – Policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports.
- Compliance with applicable laws and regulations – Policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

We evaluated internal controls related to the audit objective in accordance with generally accepted government auditing standards. Our review of internal controls was not designed to provide assurance regarding the effectiveness of the internal control structure as a whole. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Separate Communication of Minor Deficiencies

We reported minor deficiencies to both HUD and the auditee separately in a memorandum.