



Housing Authority Administrative Expenditures

2016-MS-2



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Table of Contents

	Page
AUTHORITY LETTER	1
EXECUTIVE SUMMARY	2
INTRODUCTION	4
Background	4
Objective	5
Scope and Methodology	5
Comments of Authority Officials	6
MANAGEMENT CONTROL AND OVERSIGHT	7
Recommendation	9
APPENDIX A Response From Authority Officials	10
APPENDIX B Audit Methodology and Standards	11
APPENDIX C How to Obtain Additional Copies of the Report	13
APPENDIX D Local Regional Office Listing	14

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

November 2016

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 titled Housing Authority Administrative Expenditures. 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 Statewide Audits office, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

Housing authorities are public corporations created by special act of the New York State Legislature generally to provide affordable housing to citizens with lower incomes.¹ Funded primarily by United States Department of Housing and Urban Development (HUD) grants, most of the 141 active housing authorities (140 outside of New York City) around New York State manage both public housing units and Section 8 housing vouchers.²

We audited six housing authorities across New York State: the Rome Housing Authority, the Albany Housing Authority, the Jamestown Housing Authority, the Town of Hempstead Housing Authority, the Port Chester Housing Authority and the Elmira Housing Authority. Each authority is governed by a seven-member Board of Commissioners (Board) consisting of five commissioners appointed by the Mayor of the city or village or town board of the town where they were founded and two tenant commissioners that are voted in by a group of their peers. Each authority Board oversees an Executive Director and staff that carry out the authority's daily duties and responsibilities.

Scope and Objective

The objective of our audit was to determine whether housing authorities were adequately controlling and monitoring administrative costs for the period January 1, 2012 through November 25, 2015. Our audit addressed the following related question:

- Has the Board provided adequate oversight and monitoring to ensure that expenditures related to administrators³ are controlled and monitored to reduce the likelihood of excess compensation and expenditures?

Audit Results

Although housing authority administrative expenditures were generally reasonable and appropriate, we found instances where there were inadequate controls and oversight, including lack of enforcing and following Board-established policies.

Three authorities had insufficient controls or oversight over expenditures, which led to excessive compensation (Port Chester), expenditures in excess of those allowed by the travel policy (Elmira)

¹ See New York State Public Housing Law, Article 13.

² 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.

³ For the purposes of this audit, administrators are defined as the Executive Director and Board members.

or inadequate controls surrounding gift card use (Jamestown). In addition, two did not have travel policies (Town of Hempstead and Port Chester), one had a travel policy that staff were unaware of (Jamestown) and one did not have a credit card policy, which led to it failing to receive a refund for a duplicate expenditure (Elmira).

Comments of Authority Officials

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.

Introduction

Background

Housing authorities are public corporations created by special act of the New York State Legislature, generally to provide affordable housing to citizens with lower incomes.⁴ Funded primarily by federal Housing and Urban Development (HUD) grants, most of the 141 active housing authorities (140 outside of New York City) around the State manage both public housing units and Section 8 housing vouchers.

The New York State Association for Affordable Housing commissioned a report from HR&A Advisors⁵ on the economic impact of New York's affordable housing industry statewide. The report, released in May 2012, found affordable housing development to be a key driver of economic activity, job creation and neighborhood revitalization in New York State. The report found that limited State investment helps leverage significant federal and city resources, as well as private investment.

In 2012, more than 50 percent of the State's rental households and more than 30 percent of State homeowners faced housing costs above the affordability threshold of 30 percent of household income. For both renters and owners, the number and percentage of households with housing costs above the affordability threshold have increased since 2000. The 2012 Census figures and this analysis of change since 2000 show that a larger number of New Yorkers are struggling to pay rising housing costs at a time when real incomes have been stagnant or declining. As increasing numbers of New York households experience difficulties in paying for their housing, they may be forced to reduce their spending on other goods and services. This will inhibit economic growth and undermine the potential for an improved quality of life.

Housing authorities generally operate without many of the constraints and controls over day-to-day operations required of municipal governments. Therefore, the State, local governments and taxpayers need to be assured that housing authorities' resources are being expended reasonably. This will help ensure that housing authorities may achieve their mission in a time of expanding need.

⁴ See Public Housing Law article 13.

⁵ A consulting firm providing services in real estate, economic development, and program design and implementation

We audited six housing authorities across New York State: the Rome Housing Authority, the Albany Housing Authority, the Jamestown Housing Authority, the Town of Hempstead Housing Authority, the Port Chester Housing Authority and the Elmira Housing Authority. Each authority is governed by a seven-member Board of Commissioners (Board) consisting of five commissioners appointed by the Mayor of the city or village or town board of the town where they were founded and two tenant commissioners that are voted in by a group of their peers. The Board oversees an Executive Director and staff that carry out the housing authority’s daily duties and responsibilities. Figure 1 details the housing authorities audited.

Figure 1: Housing Authority Background Information

Housing Authority	2014 Operating Expenses (in Millions)	Full-time Employees	Public Housing Units Owned	Housing Choice Program Participants
Albany Housing Authority	\$47.0	104	2,318	2,200
Elmira Housing Authority	\$4.6	15	479	0
Jamestown Housing Authority	\$1.2	10	246	268
Port Chester Housing Authority	\$3.4	10	340	0
Rome Housing Authority	\$5.0	14	281	632
Town of Hempstead Housing Authority	\$10.8	48	1,309	0

Objective

The objective of our audit was to determine whether housing authorities are adequately controlling and monitoring administrative costs for the period January 1, 2012 through November 25, 2015. Our audit addressed the following related question:

- Has the Board provided adequate oversight and monitoring to ensure that expenditures related to administrators⁶ are controlled and monitored to reduce the likelihood of excess compensation and expenditures?

Scope and Methodology

For the period January 1, 2012 through November 25, 2015, we interviewed housing authority officials and employees. We examined housing authority policies and procedures to monitor administrative expenditures. We performed testing of credit card expenditures to ensure they were appropriate and followed policy, we tested travel expenditures to ensure they were appropriate and followed policy, and we tested vendor payments. We also performed tests to determine whether there were inappropriate benefits paid to administrators;

⁶ For the purposes of this audit, administrators are defined as the Executive Director and members of the Board of Commissioners.

specifically, we reviewed vendor payments, rent roll payments, insurance and other compensation-related expenditures.

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**

The results of our audit and recommendation have been discussed with housing authority officials, and their comments, which appear in Appendix A, have been considered in preparing this report.

Management Control and Oversight

Housing authority officials have the responsibility to ensure they are expending funds in the most efficient and effective manner in the course of completing their mission to provide affordable housing to low-income and elderly residents. Costs incurred by a housing authority should be necessary and reasonable for its day-to-day operation. This includes expenditures related to, or on behalf of, housing authority administrators and any expenditures made in the course of conducting housing-related activities.

The Board of a housing authority is responsible for managing authority funds, including providing appropriate direction and oversight to ensure that funds are expended for only legitimate purposes and in accordance with Board directives. A good system of internal controls consists of policies, practices and procedures that allow a housing authority to provide reasonable assurance that its resources are being safeguarded and properly accounted for.

The Board should establish controls, including policies and procedures, to ensure that housing authority funds are being expended appropriately and that expenditures are for a business purpose. This includes ensuring expenditures are both reasonable and appropriate. Authorities should also provide for an adequate review of expenditures to verify they meet policies and established federal guidelines. In addition, authority management should monitor the implementation of these controls to ensure they are working as intended.

Although housing authority administrative expenditures at the six authorities we audited were generally reasonable and appropriate, we found instances where there were inadequate controls and oversight, some of which allowed inappropriate expenditures to go undetected. In four of six authorities, we found either excessive compensation; lack of a travel policy, lack of knowledge of the travel policy by staff or expenditures in excess of those allowed by the existing travel policy; or inadequate controls surrounding gift card use.

Port Chester Housing Authority – Due to the Port Chester Housing Authority’s lack of controls, a Board member did not reimburse the Authority \$40,000 for healthcare benefits. Based on Authority policy, the Board member was required to reimburse the full value of the healthcare benefits provided by the Authority. However, the Board did not ensure there were controls in place or provide adequate oversight to enforce this policy.

Additionally, the Authority did not adopt and implement a travel policy that ensures expenditures are reasonable and for a business purpose. However, we note that the Authority had limited travel and did not incur inappropriate travel expenditures during the scope of our audit.

Elmira Housing Authority – The Elmira Housing Authority’s staff did not consistently follow the travel policy, which resulted in the Authority paying more than necessary for a conference. The policy required that staff travel by the most direct and least expensive mode possible. Any person traveling by a more expensive mode of transportation or indirect route was required to pay for the additional costs incurred. Our testing of travel-related expenditures identified a transaction, which was reviewed and approved by the Executive Director, where a staff member and her spouse attended a conference in Atlanta, Georgia. The Authority paid \$1,512 in driving and associated costs. However, 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. Accordingly, the Authority would likely have absorbed \$922 less in travel costs related to this trip had its adopted policy been followed.

Additionally, the Authority did not have a credit card use policy requiring supporting documentation for all charges prior to payment. Such a policy, and monitoring of it, may have prevented the Authority from paying \$580 in duplicate airline tickets.

Jamestown Housing Authority – The Jamestown Housing Authority had insufficient controls over gift cards purchased totaling approximately \$6,300. Records of these gift cards, with values ranging from \$20 to \$50, did not document the purpose they were for and who received them. Authority officials stated that they purchased gift cards for three purposes: 1) to be awarded as door prizes at summer and winter parties, 2) to thank volunteer tenants for their efforts on behalf of the Authority, and 3) for employee holiday gifts. Authority officials stated the Board approved providing \$50 gift cards to staff as holiday gifts but were unable to provide documentation to support this assertion.⁷

⁷ For purposes of this report, we have assumed the legal propriety of providing gift cards in this amount to Authority employees as tokens of appreciation (for general information on this see <http://www.osc.state.ny.us/localgov/audits/publicauth/2013/watertownhousing.pdf>).

Additionally, the Authority's staff were unaware of the existence of the travel policy that was in place at the Authority. However, we note that the Authority had limited travel and did not incur inappropriate travel expenditures during the scope of our audit.

Town of Hempstead Housing Authority – The Town of Hempstead Housing Authority did not adopt and implement a travel policy that ensures expenditures are reasonable and for a business purpose. However, we note that the Authority had limited travel and did not incur inappropriate travel expenditures during the scope of our audit.

Lack of oversight and monitoring, which includes Board-established policies and procedures, has the potential for leading to excessive or inappropriate expenditures. In addition, reliance on unwritten policies and procedures may lead to misunderstandings and inconsistencies. By not ensuring that there is adequate oversight and monitoring, there is the risk that the administrators or employees could receive excessive payments or compensation or could initiate inappropriate authority expenditures.

Recommendation

1. Authority Boards should provide oversight, including the implementation and monitoring of policies and procedures, to help ensure that authority resources are used only for appropriate authority expenditures.

APPENDIX A

RESPONSE FROM AUTHORITY OFFICIALS

We provided a draft copy of this global report to the six housing authorities we audited and requested responses. We received a response from one Authority: Port Chester. Each Authority's individual report includes the Authority's response to our audit of the Authority.

The following comment is excerpted from the response received:

Port Chester: "In general, we are in agreement with the results and findings contained in the draft report, and as previously communicated to your office, we have taken corrective action to address the specific findings and recommendations included in the report."

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed housing 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 housing 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 payments 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 housing authority. We reviewed and summarized all staff travel and selected all conferences for the Executive Director and select conferences for other staff (judgmentally based on job title and travel expenditure). The total items tested varied by authority. For the items selected, we determined whether the travel had been preauthorized and properly documented and whether the individual elements of the travel costs 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 housing authority payroll records.
- We judgmentally reviewed a sample of housing authority disbursements by selecting a different month in each year, for three years, related to health benefits. We 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 housing 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 vendors (amount varied by housing authority) from authority records based on the likelihood that personal expenditures could be incurred on behalf of administrators at that vendor. We 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 housing authority disbursements to Section 8 lessors, when Section 8 programs were offered by the authority, to determine whether any related to administrators or commissioners.

- We reviewed housing 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.

APPENDIX C

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