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November 2016

Jim Baldwin
Executive Director
Members of the Board of Commissioners
Rome Housing Authority
200 North Levitt Street
Rome, NY 13440

Report Number: S9-15-72

Dear Mr. Baldwin 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 Rome 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 April 1, 2012 through June 16, 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 with Authority officials and considered their comments, which appear in Appendix A, in preparing this report. Authority officials agreed with our report. 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. In addition, the Executive Director received compensation in accordance with his employment contract, and members of the Board of Commissioners (Board) are not compensated. The Board has adopted and implemented policies for credit card usage and travel costs to ensure that Authority funds are expended for legitimate Authority purposes and in accordance with Board directives.

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 New York 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 Rome (City) and was created to address the housing needs for low- to moderate-income citizens of the City. The Authority's operating expenditures totaled \$5 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- and moderate-income citizens of the City. The Authority has 14 full-time employees and one part-time employee that provide the day-to-day operational support for 281 public housing households located throughout the City and 632 Housing Choice Voucher Program participants living in private accommodations.

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 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, transactions were restricted to authorized cardholders and appeared to be used for allowable and reasonable Authority business expenditures compliant with the procurement policy. In addition, the transactions were appropriately documented and reviewed by the cardholder and appropriately authorized by a supervisor prior to payment.

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. In our testing of travel-related expenditures paid during our audit scope period for Authority executives and Board members, travel expenditures 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 should manifest the best interest of taxpayers and compensation should be limited to what is specifically stated in those contracts. 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 contract 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, Section 8 rental payments and rent rolls did not identify any compensation that was not specifically provided for in the contract.

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 agreements³ 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, Section 8 rental payments and rent rolls did not identify any compensation paid to Board members.

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

³ Consolidated Annual Contributions Contract, Part A, Section 14 signed by HUD and the Authority

APPENDIX A

RESPONSE FROM AUTHORITY OFFICIALS

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

COLONIAL APARTMENTS

AREA CODE 315 337-1090

FAX 315 337-6634

HOUSING ASSISTANCE PROGRAM

AREA CODE 315 339-0730

FAX 315 337-6634



LIBERTY GARDEN APARTMENTS

AREA CODE 315 337-2600

FAX 315 339-1828

VALENTINE APARTMENTS

AREA CODE 315 339-2536

FAX 315 334-0115

ROME HOUSING AUTHORITY

CENTRAL OFFICE

200 NORTH LEVITT STREET

ROME, NEW YORK 13440

June 9, 2016

Office of the State Comptroller
110 State Street
Albany, NY 12236

Rome Housing Authority
Draft Audit Report
S9-15-72

Dear Sir or Madam:

Thank you for giving the Rome Housing Authority the opportunity to respond to your draft audit report concerning our operations during the time period of April 1, 2012 through June 16, 2015.

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 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, transactions were restricted to authorized cardholders and appeared to be used for allowable and reasonable Authority business expenditures compliant with the procurement policy. In addition, the transactions were appropriately documented and reviewed by the cardholder and appropriately authorized by a supervisor prior to payment.

The Rome Housing Authority agrees with the auditor's finding in the area of Credit Card Expenditures in that we have adopted policies and procedures to insure that housing authority credit cards are only used for approved expenditures.

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. In our testing of travel-related expenditures paid during our audit scope period, for Authority executives and Board members, travel expenditures 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.

The Rome Housing Authority agrees with the auditor's finding in the area of Travel Expenditures in that we have adopted policies and procedures to insure that housing authority staff's travel expenditures are kept within normal and acceptable parameters.

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

We found the Board has approved an employment contract 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, Section 8 rental payments and rent rolls did not identify any compensation that was not specifically provided for in the contract.

The Rome Housing Authority agrees with the auditor's finding in the area of Executive Compensation in that the authority has established an agreement with the Executive Director that delineates his compensation wholly and completely.

Board Member Compensation – The compensation of board members should conform to limitations imposed by State and/or federal law and regulations. Total compensation includes the value of all wages, benefits and accommodations provided. New York State Public Housing Law authorizes a board chairperson to receive a maximum of \$2,500 a year in compensation while board members are allowed \$2,000. Federal agreements 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, Section 8 rental payments and rent rolls did not identify any compensation paid to Board members.

The Rome Housing Authority agrees with the auditor's finding in the area of Board Member Compensation in that the authority does not in any way compensate the members of the Board of Commissioners. Since the vast majority of our income is derived from federal sources and federal law prohibits board members from receiving compensation, we follow federal guidelines and do not compensate our board members.

Since this report does not contain any negative finding which would cause us to enter into a Corrective Action Plan. We will not be submitting a CAP pursuant to this report.

Once again, thank you for giving us the opportunity to respond to the findings contained within your Draft Audit Report number S9-15-72.

Sincerely,

James Baldwin
Executive Director/Chief Executive Officer
Rome Housing Authority

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

We reviewed the Authority's administrative costs for the period April 1, 2012 through June 16, 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 and selected all six conferences for the Executive Director and seven conferences for other staff (judgmentally based on job title and expenditures of the travel) for a total of 13 conferences used 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 related to health benefits by selecting a different month in each year for three years 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 10 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 disbursements to Section 8 lessors to determine whether any related to administrators or commissioners.

- 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.