Deloitte & Touche

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

Financial Statements
for the Year Ended
December 31, 1998
and Independent Auditors' Reports

Deloitte Touche Tohmatsu

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CUYAHOGA METROPOLITAN HOUSING AUTHORITY

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STATE OF OHIO
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Board of Commissioners
Cuyahoga Metropolitan Housing Authority

We have reviewed the independent auditor's report of the Cuyahoga Metropolitan Housing Authority, Cuyahoga County, prepared by Deloitte & Touche LLP for the audit period January 1, 1998 through December 31, 1998. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Cuyahoga Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

February 22, 2000

Deloitte & Touche

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Cuyahoga Metropolitan Housing Authority
Cleveland, Ohio

We were engaged to audit the accompanying balance sheets of the Cuyahoga Metropolitan Housing Authority (the "Authority") as of December 31, 1998 and the related statements of revenues and expenses and changes in surplus for the year then ended. These financial statements are the responsibility of the Authority's management.

As described in Note 2 to the financial statements, the Authority's policy is to prepare its financial statements on the basis of accounting practices permitted by the U.S. Department of Housing and Urban Development ("HUD"). These practices differ in certain respects from generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

We were unable to obtain a letter of representation from the Authority's management.

We believe the system of internal accounting and administrative controls at the Authority is deficient, and, as a result, there can be no reasonable assurance that the accompanying financial statements reflect the results of all transactions requiring financial statement recognition. We have identified material weaknesses in internal controls related to the general control environment and in the areas of expense and cash disbursements, revenues and cash receipts, budget, accounts payable, general ledger and compliance with HUD-funded programs.

There are significant inadequacies in the Authority's accounting records for accounts payable, accounts receivable from HUD and accounts payable to HUD. As a result, we were unable to satisfy ourselves concerning the amounts of accounts payable, accounts receivable from HUD and accounts payable to HUD at December 31, 1998 or the amounts of related revenues and expenses for the year then ended.

Because of the matters described in paragraphs three through five of this report, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to above.

As described in Note 11 to the financial statements, we developed certain findings regarding the Authority's compliance with requirements applicable to its federal financial assistance programs as a result of procedures performed under provisions of the Single Audit Act of 1996. The outcome of such compliance findings is not presently determinable, and no provision has been made in the financial statements for the effect, if any, of such contingencies.

As described in Note 11 to the financial statements, the Authority is a defendant in several lawsuits. In addition, certain matters related to the Authority are currently under investigation by outside law enforcement and regulatory agencies, the outcome of which remain unresolved. The ultimate outcome of these matters cannot presently be determined. Accordingly, no provision for any loss that may result from the resolution of these matters has been made in the accompanying financial statements.

The year 2000 required supplementary information on page 31 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the unprecedented nature of the year 2000 issue and its effects, and the fact that authoritative measurement criteria regarding the status of remediation efforts have not been established. In addition, we do not provide assurance that the Authority is or will become year 2000 compliant, that the Authority's remediation efforts will be successful in whole or in part, or that the parties with which the Authority does business are or will become year 2000 compliant.

We were engaged to audit the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule is the responsibility of management of the Authority. Because of the matters listed in paragraphs three through five of this report, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the schedule of expenditures of federal awards.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 1999 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations, contracts and grants. That report is an integral part of an audit conducted in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. As a result of the issues discussed in paragraphs three through five of this report, we have documented material weaknesses in internal control and material noncompliance.

Deloitte & Touche LLP

November 4, 1999

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

BALANCE SHEETS - CONVENTIONAL LOW-RENT HOUSING PROGRAM AND HOMEOWNERSHIP PROGRAM
DECEMBER 31, 1998

	Annual Contributions Contract Number C-5003	
ASSETS	**Conventional Low-Rent Housing Program**	**Homeownership Program**
Cash and unrestricted investments (Notes 3 and 4)	$ 12,845,324	$ 1,259,934
Restricted investment (Note 4)	1,231,576	338,943
Escrow funds	827,673	
Accounts receivable:		
HUD annual contribution	4,762,579	
HUD - other	6,924,116	
Tenant, net of allowance for doubtful accounts of $136,731 and $-0-, respectively	80,013	27,459
Interprogram	4,605,214	
Other	36,458	9,057
Inventory	1,831,405	
Deposits	480,098	
Prepaid and other assets	730,082	
Debt amortization funds	27,360	
Land, structure and equipment (Note 5)	716,521,379	2,655,463
TOTAL ASSETS	$ 750,903,277	$4,290,856
LIABILITIES AND SURPLUS		
Accounts payable:		
Trade	$ 10,105,612	$ 7,853
HUD	2,339,254	
Accrued liabilities	3,572,430	24,162
Tenant deposits (Note 6)	766,008	335,354
Debt obligations	7,181,688	
Other	365,116	
Total liabilities	24,330,108	367,369
Surplus (Note 2)	726,573,169	3,923,487
TOTAL LIABILITIES AND SURPLUS	$ 750,903,277	$4,290,856

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

STATEMENTS OF REVENUES AND EXPENSES - CONVENTIONAL LOW-RENT HOUSING PROGRAM AND HOMEOWNERSHIP PROGRAM YEAR ENDED DECEMBER 31, 1998

	Annual Contributions Contract Number C-5003	
	Conventional Low-Rent Housing Program	Homeownership Program
OPERATING REVENUES:		
Dwelling rental	$ 10,067,078	$ 109,605
Non-dwelling revenue	56,612	
Excess utilities	90,000	
Earnings on investments	443,529	7,070
Proceeds from home sales		277,911
Other	755,992	22,703
Total operating revenues	11,413,211	417,289
OPERATING EXPENSES:		
Administrative	13,583,292	209,898
Tenant service	767,307	
Utilities	15,462,296	2,936
Ordinary maintenance and operations	12,787,317	5,141
General	7,733,284	84,113
Nonroutine maintenance	763,808	32,453
Protective services	2,502,585	
Interest expense	98,295	
Prior period adjustment affecting residual receipts	2,119	(84,035)
Total operating expenses	53,700,303	250,506
(DEFICIENCY) SURPLUS OF REVENUES OVER EXPENSES	$ (42,287,092)	$ 166,783

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

STATEMENTS OF CHANGES IN SURPLUS - CONVENTIONAL LOW-RENT HOUSING PROGRAM AND HOMEOWNERSHIP PROGRAM
YEAR ENDED DECEMBER 31, 1998

	Conventional Low-Rent Housing Program ACC Contract Number C-5003			Homeownership Program ACC Contract Number C-5003		
	Non-Debt Component of Surplus	Debt Component of Surplus	Total	Non-Debt Component of Surplus	Debt Component of Surplus	Total
ACCUMULATED SURPLUS (DEFICIT), JANUARY 1, 1998	$ 525,521,448	$ 166,868,104	$ 692,389,552	$ (5,846,756)	$ 9,701,391	$ 3,854,635
NET BOOK VALUE OF HOMES CONVEYED				(360,964)		(360,964)
(DEFICIENCY) SURPLUS OF REVENUES OVER EXPENSES	(42,287,092)		(42,287,092)	166,783		166,783
HUD OPERATING SUBSIDY	44,237,093		44,237,093	263,033		263,033
URBAN REVITALIZATION DEVELOPMENT GRANT	8,320,098		8,320,098			
VACANCY REDUCTION GRANT PROGRAM	12,423		12,423			
COMPREHENSIVE GRANT PROGRAM	17,087,683		17,087,683			
MAJOR RECONSTRUCTION OF OBSOLETE PROPERTIES GRANT	726,789		726,789			
EMERGENCY FUNDING GRANT	6,086,623		6,086,623			
HUD DEBT CONTRIBUTED TO CAPITAL	166,868,104	(166,868,104)		9,701,391	(9,701,391)	
ACCUMULATED SURPLUS, DECEMBER 31, 1998	$ 726,573,169	$ -	$ 726,573,169	$ 3,923,487	$ -	$ 3,923,487

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

BALANCE SHEET - SECTION 8 VOUCHER, CERTIFICATE AND MODERATE REHABILITATION PROGRAM DECEMBER 31, 1998

	Annual Contribution Contract Number C-5015
ASSETS	
Cash	$2,242,943
Accounts receivable:	
HUD	380,000
Other	2,470
Prepaid rental payments	3,176,732
Land, structures and equipment (Note 5)	803,030
TOTAL ASSETS	$6,605,175
LIABILITIES AND SURPLUS	
Accounts payable:	
Trade	$ 44,604
HUD	916,818
Interprogram	2,637,434
Deferred revenue	3,678,120
Tenant deposits	316,768
Accrued liabilities	224,000
Total liabilities	7,817,744
Accumulated deficit (Note 12)	(1,212,569)
TOTAL LIABILITIES AND ACCUMULATED DEFICIT	$6,605,175

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

STATEMENT OF REVENUES AND EXPENSES - SECTION 8
VOUCHER, CERTIFICATE AND MODERATE REHABILITATION PROGRAM
YEAR ENDED DECEMBER 31, 1998

	Annual Contribution Contract Number C-5015
OPERATING REVENUES - Interest and other	$ 274,817
OPERATING EXPENSES:	
Administrative	3,173,559
Tenant service	130,780
Ordinary maintenance and operations	16,453
General	608,005
Housing assistance payments	40,779,932
Prior year adjustment affecting residual receipts	(10,169)
Total operating expenses	44,698,560
DEFICIENCY OF REVENUES OVER EXPENSES	$ (44,423,743)

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

STATEMENT OF CHANGES IN SURPLUS - SECTION 8
VOUCHER, CERTIFICATE AND MODERATE REHABILITATION PROGRAM
YEAR ENDED DECEMBER 31, 1998

	Annual Contribution Contract Number C-5015
ACCUMULATED DEFICIT, JANUARY 1, 1998	$ (1,974,413)
DEFICIENCY OF REVENUES OVER EXPENSES	(44,423,743)
HAP SUBSIDY FROM HUD	45,185,587
ACCUMULATED DEFICIT, DECEMBER 31, 1998	$ (1,212,569)

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

BALANCE SHEETS - SECTION 8 NEW CONSTRUCTION HOUSING ASSISTANCE PAYMENT PROGRAMS DECEMBER 31, 1998

	Contract Programs		
	C-77-242	C-78-089	C-77-330
ASSETS	**Ambleside**	**Severance**	**Quarrytown**
Cash and unrestricted investments (Notes 3 and 4)	$ 222,783		$ 37,638
Restricted investments (Note 4)	872,681	$ 656,153	750,542
Accounts receivable - tenant	1,279	658	
Interprogram			690
Debt amortization funds (Note 8)	892,956	928,350	
Land, structure and equipment (Note 5)	6,250,748	21,029	25,428
Other (Note 8)	251,234		60
TOTAL ASSETS	$8,491,681	$1,606,190	$ 814,358
LIABILITIES AND SURPLUS			
Accounts payable:			
Trade	$ 19,256	$ 5,303	$ 2,660
Interprogram		128,318	
Tenant deposits (Note 6)	27,821	26,544	32,873
Debt obligations (Note 8)	7,319,845		
Accrued liabilities	45,575	2,952	1,727
Total liabilities	7,412,497	163,117	37,260
Surplus	1,079,184	1,443,073	777,098
TOTAL LIABILITIES AND SURPLUS	$8,491,681	$1,606,190	$ 814,358

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

STATEMENTS OF REVENUES AND EXPENSES - SECTION 8 NEW CONSTRUCTION HOUSING ASSISTANCE PAYMENT PROGRAMS
YEAR ENDED DECEMBER 31, 1998

	Contract Programs		
	C-77-242 Ambleside	C-78-089 Severance	C-77-330 Quarrytown
OPERATING REVENUES:			
Dwelling rental	$ 412,834	$ 396,479	$ 409,048
Housing assistance payments	905,543	875,144	762,838
Earnings on investments	98,420	88,998	18,849
Other	32,698	36	765
Total operating revenues	1,449,495	1,360,657	1,191,500
OPERATING EXPENSES:			
Administrative	206,785	182,570	164,370
Tenant service			6,272
Utilities	156,283		
Ordinary maintenance and operation	82,862	88,885	85,533
General	34,370	26,785	23,889
Interest expense	555,487		
Rent to owners		893,097	814,554
Prior period adjustments affecting residual receipts			15,192
Total operating expenses	1,035,787	1,191,337	1,109,810
EXCESS OF REVENUES OVER EXPENSES	$ 413,708	$ 169,320	$ 81,690

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

STATEMENTS OF CHANGES IN SURPLUS - SECTION 8 NEW CONSTRUCTION HOUSING ASSISTANCE PAYMENT PROGRAMS YEAR ENDED DECEMBER 31, 1998

	Contract Programs		
	C-77-242 Ambleside	C-78-089 Severance	C-77-330 Quarrytown
SURPLUS, JANUARY 1, 1998	$ 665,476	$ 1,273,753	$ 695,408
EXCESS OF REVENUES OVER EXPENSES	413,708	169,320	81,690
SURPLUS, DECEMBER 31, 1998	$ 1,079,184	$ 1,443,073	$ 777,098

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

BALANCE SHEET - NOAH PROPERTIES
DECEMBER 31, 1998

	Noah Properties
ASSETS	
Cash and unrestricted investments (Notes 3 and 4)	$ 70,651
TOTAL ASSETS	$ 70,651
LIABILITIES AND SURPLUS	
Accounts payable:	
Trade	$ 30,012
Interprogram	241,933
Accrued liabilities	3,490
Total liabilities	275,435
Deficit	(204,784)
TOTAL LIABILITIES AND SURPLUS	$ 70,651

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

STATEMENT OF REVENUES AND EXPENSES - NOAH PROPERTIES
YEAR ENDED DECEMBER 31, 1998

	Noah Properties
OPERATING REVENUES - Dwelling rental	$ 118,693
OPERATING EXPENSES:	
Administrative	3,532
Utilities	69,906
Ordinary maintenance and operation	25,933
Total operating expenses	99,371
EXCESS OF REVENUES OVER EXPENSES	$ 19,322

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

STATEMENT OF CHANGES IN SURPLUS - NOAH PROPERTIES
YEAR ENDED DECEMBER 31, 1998

	Noah Properties
SURPLUS, JANUARY 1, 1998	$ -
EXCESS OF REVENUES OVER EXPENSES	19,322
EQUITY TRANSFER (Note 13)	(224,106)
DEFICIT, DECEMBER 31, 1998 (Note 12)	$ (204,784)

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

BALANCE SHEETS - LOCAL PROGRAM AND OTHER PROGRAMS
DECEMBER 31, 1998

	Local	Title V/ New Town - In Town	Grants Consolidated
ASSETS			
Cash and unrestricted investments (Notes 3 and 4)	$ 98,311	$ 333,469	$ 454,616
Accounts receivable:			
HUD and other federal and state agencies			717,722
Other		7,528	9,710
Land, structures and equipment (Note 5)		3,596,319	1,071,621
TOTAL ASSETS	$ 98,311	$3,937,316	$2,253,669
LIABILITIES AND SURPLUS			
LIABILITIES:			
Accounts payable:			
Trade		$ 152,301	$ 512,662
Interprogram	$ 15,898	1,215,020	367,304
Accrued liabilities	15,184	2,925	3,728
Note payable	26,581		
Total liabilities	57,663	1,370,246	883,694
Surplus	40,648	2,567,070	1,369,975
TOTAL LIABILITIES AND SURPLUS	$ 98,311	$3,937,316	$2,253,669

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

STATEMENTS OF REVENUES AND EXPENSES - LOCAL PROGRAM AND OTHER PROGRAMS YEAR ENDED DECEMBER 31, 1998

	Local	Title V/ New Town - In Town	Grants Consolidated
OPERATING REVENUES:			
Earnings on investments	$ 1,363	$ 10,121	
Grants			$4,522,412
Other		377,890	
Total operating revenues	1,363	388,011	4,522,412
OPERATING EXPENSES:			
Administrative	19,318	291,607	838,931
Travel expenses		293	
Tenant service	2,685	670	2,093,427
Ordinary maintenance and operation	989	16,259	20,791
General	2,918	6,091	1,736
Protective services			829,658
Prior year adjustment affecting residual receipts		(8,394)	
Total operating expenses	25,910	306,526	3,784,543
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ (24,547)	$ 81,485	$ 737,869

See notes to the financial statements.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

STATEMENTS OF CHANGES IN SURPLUS - LOCAL PROGRAM AND OTHER PROGRAMS YEAR ENDED DECEMBER 31, 1998

	Local	Title V/ New Town - In Town	Grants Consolidated
SURPLUS (DEFICIT), JANUARY 1, 1998	$ (34,805)	$ 1,701,562	$ 337,642
SUBSIDY			954,381
EQUITY TRANSFER (Note 13)	100,000	784,023	(659,917)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(24,547)	81,485	737,869
SURPLUS, DECEMBER 31, 1998	$ 40,648	$2,567,070	$ 1,369,975

See notes to the financial statements.

1. DEFINITION OF THE ENTITY

The Cuyahoga Metropolitan Housing Authority (the "Authority") is a political subdivision organized under the laws of the State of Ohio. The Authority is responsible for operating certain low-rent housing programs in Cuyahoga County under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority's financial statements include all programs that are considered to be within its administrative control. The Authority generally maintains separate accounting records for each grant program or annual contribution contract, as required by HUD. A list of the various programs, including HUD Annual Contributions Contract Number (ACC), if applicable, is as follows:

Conventional Low-Rent Housing Program (ACC C-5003) ("Conventional Program") - Under this program, the Authority develops, modernizes and manages low-rent housing projects. This program accounts for housing operations primarily funded under ACC C-5003 which also includes the Comprehensive Grant Program ("CGP"), Major Reconstruction of Obsolete Property Program ("MROP"), Urban Revitalization Development Grant ("URD"), Vacancy Reduction Program ("VRP") and the Lead Assessment Grant ("LAG").

Homeownership Program (ACC C-5003) - Under this program, ownership equity is realized by the family tenant through monthly payments into an earned home payments account and through regular maintenance of the home. A family achieves ownership when the equity increases to a point where it is equal to a predetermined amount based upon the unamortized purchase price of the home. A family may also purchase the home by obtaining financing or otherwise paying the amount by which the purchase price exceeds the family's equity.

Section 8 Voucher, Certificate and Moderate Rehabilitation Programs (ACC C-5015) - Under these programs, the Authority contracts with private landlords and subsidizes the rental for dwelling units. Payments are made to the landlord on behalf of the tenant for the difference between the contract rent amount and the amount that the tenant is required to pay under HUD established guidelines.

Section 8 New Construction Housing Assistance Payment Programs (Ambleside Contract C-77-242, Severance Contract C-78-089 and Quarrytown Contract C-77-330) - These programs account for the operation of low-income housing developments where the Authority or private developers contract directly with HUD to develop low-income housing. The Authority manages all developments and handles all HUD funding and reporting. The Authority owns the Ambleside development. The Annual Contribution Contracts for Severance Housing Corporation ("Severance") and the Cuyahoga County Housing Corporation ("Quarrytown") are between HUD and the Authority. In these cases, the Authority leases the housing projects from a private developer. The activities related to these programs are included in the financial statements of the Authority.

Noah Properties - In September 1996, HUD sold ten properties on which it had foreclosed to the Authority for $1 each. In addition, HUD awarded grants of approximately $20 million for the demolition or rehabilitation of existing properties and new construction of additional properties. During 1996 and 1997, expenditures for the operation and demolition of the properties were paid for with Affordable Housing Funds. In 1998, the Noah Properties Fund was established and prior year receipts and expenditures were transferred to this fund through an equity transfer.

Local Program - In 1998, a $100,000 contribution of capital was made by Title V to a new local fund. This fund is to be used for expenditures necessary for the accomplishment of the Authority's mission but which do not fall within HUD guidelines. All expenditures from the local fund must be approved by the Board of Commissioners. The fund is currently being utilized to make payments on the mortgage assumed for donated property.

Title V/ New Town - In Town - Assets in the Title V program represent the proceeds and investment of the proceeds from the sale of World War II Title V housing projects that were given to the Authority by the U.S. Government at the end of the Title V program and other funds transferred to the program by the Authority. In 1994, the Authority transferred $2,538,638 into Title V from the Ambleside program. This amount represented the excess proceeds on the bond refinancing of the Ambleside property. These assets are subject to the terms of a Memorandum of Understanding between HUD and the Authority. All activity within this program must comply with the laws of the State of Ohio and the Administrative Orders (AO) issued by the Board of Commissioners of the Authority.

The New Town - In Town program was established to provide safe and sanitary housing accommodations within Cuyahoga County, particularly within the City of Cleveland, to low income families through the construction of housing in conformity with federal "turnkey rules" promulgated by HUD.

Grants Consolidated - During 1998, the Authority received federal, state and local funding under the Transitional Housing Program, Public Housing Drug Elimination Grant Program, Youth Violence Grant, Youth Apprenticeship Program, Cleveland Foundation URD Administration and Evaluation Grant, Service Coordinators Grant Program for Public Housing, Ameritech Woodruff Foundation Grant, COPS Grant, Summer Youth Employment Program, and Urban Youth Corps Grant. Expenditures for these programs and grants must be made in accordance with the rules and regulations established by the grantor.

Excluded Entities - Certain entities that conduct activities for the benefit of the Authority or its residents are excluded from the financial statements. These entities are:

Nonprofit Corporations - In accordance with housing subsidy contracts, the Authority has designated several Section 8 nonprofit corporations (Severance Housing Corporation, Cuyahoga Housing Corporation, Cuyahoga-Puritas Housing Corporation, Rosalind-Amesbury Housing Assistance Corporation, Cleveland-Rock Glen Housing Assistance Corporation, and Chester Village Housing Incorporated) to serve as instrumentalities of the Authority to assist in the development and financing of housing projects. The Board of the Authority appoints the Board of Trustees of the Severance Housing Corporation, Cuyahoga-Puritas Housing Corporation, Rosalind-Amesbury Housing Assistance Corporation, Cleveland-Rock Glen Housing Assistance Corporation, and Chester Village Housing Incorporated, the members of which are all the same. The Authority's Board of Commissioners must approve all actions of the instrumentalities and, upon their dissolution, all assets and residual receipts are to be distributed to the Authority. These Section 8 nonprofit corporations have no employees, perform no day-to-day functions, and the officers thereof serve in a non-paid status.

The Annual Contribution Contracts for Cuyahoga-Puritas Housing Corporation, Rosalind-Amesbury Housing Assistance Corporation, Cleveland-Rock Glen Housing Assistance Corporation, and Chester Village Housing Incorporated are between HUD and the applicable instrumentalities. The financial statements of the Authority do not reflect any activity for these instrumentalities in accordance with HUD accounting practices (see Note 2).

Property Management Organization - During 1998 the Authority provided financial assistance through the Conventional Program to the Hough Area Partners in Progress ("HAPP").

In August of 1989, the Authority and HAPP entered into a contract which transferred responsibilities for the operations of Addison Townhouses to HAPP. The Authority provides HAPP with a portion of the Authority's operating subsidy in consideration for these services. The financial statements of the Authority do not include any financial activity, balances, or other information related to HAPP.

Joint Venture - The Authority is a member of the Housing Authority Risk Retention Group ("HARRG") and the Housing Authority Property Insurance, Inc. ("HAPI"). HARRG and HAPI are nonprofit, tax exempt mutual insurance companies that are wholly owned by their public housing authority members. HARRG operates under the Federal Liability Risk Retention Act. It provides liability insurance coverages solely to public housing authorities and public housing and redevelopment agencies throughout the United States. HAPI is a captive insurance company formed pursuant to the Vermont Captive Insurance Companies Act. It provides property insurance to public housing authorities and public housing and redevelopment authorities throughout the United States. The Board of Directors is elected by HARRG's approximately 500 members. The number of votes granted to each member is based upon premiums paid and is limited to a maximum of 10 percent of the total votes available. Due to the lack of significant oversight responsibility and accountability of the Authority's Board of Commissioners for actions, operations, and fiscal matters of HARRG and HAPI, the degree of financial interdependency is considered insufficient to warrant inclusion of these organizations within the Authority's reporting entity. See Note 10 for additional information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority has prepared its financial statements in conformity with accounting practices prescribed by HUD ("HUD accounting"). These practices are, in certain respects, at variance with generally accepted accounting principles.

The significant accounting policies under which the financial statements have been prepared are as follows:

a. *Investments* - Investments are stated at fair value.

b. *Land, Structures and Equipment* - Land, structures and equipment are capitalized at original cost, including the capitalization of all indirect costs incurred during project development and certain repairs and maintenance expenditures funded by HUD under modernization programs. Replacements are capitalized at cost and retirements are removed from the accounts at cost. In accordance with HUD accounting, structures and equipment are not depreciated.

c. *Debt Obligations* - Debt obligations in the Conventional and Homeownership Programs were comprised of federal financing bank notes, bonds payable to third-parties and project notes payable to HUD. These obligations were issued by HUD to finance the acquisition, construction and rehabilitation of housing. HUD was responsible for making all debt service payments on the third party obligations. These debt service payments were reflected as HUD Contributions for Debt Service in the prior years. In the current year, all activity is reported as contributed capital.

   Debt obligations (and the related debt service requirements) of the Ambleside program are the responsibility of the Authority, and are classified as a liability in the accompanying financial statements.

d. *Debt Component of Surplus* - HUD is responsible for making the debt service payments on all bonds and notes payable of the Conventional and Homeownership Programs. Additionally, the project notes of the Conventional and Homeownership Programs are payable to HUD. These obligations were issued by HUD to finance the acquisition, construction and rehabilitation of housing. HUD is responsible for making all debt service payments on the third party obligations.

Effective December 31, 1998, all debt and accrued interest amounts were recorded as a contribution of capital to the Authority from HUD. The balance sheet at December 31, 1998 reflects the change in treatment.

e. *Accrued Leave* - In accordance with HUD accounting, the Authority does not record a liability for the annual accrued vacation and sick leave of its employees. Sick leave is charged to expense as it is taken. Sick leave is earned at a rate of 4.6 hours for each 80 hours worked and can be carried forward from year to year up to a maximum of 960 hours. Employees accumulating over 960 hours of sick leave are paid for one-third of those hours exceeding 960 hours. At retirement, employees are paid for one-half of the total hours of accumulated sick leave up to 960 hours. Employees who are terminated or otherwise separated from the Authority do not receive payment for unused accumulated sick leave.

Vacation leave is earned at a rate ranging from 4.6 hours to 20 hours per month based upon years of service. Vacation leave can be carried forward from year to year up to a maximum of three (3) years. Accumulated vacation amounts are paid to employees upon separation from the Authority. As of December 31, 1998, the Authority's liability for earned but unused vacation is approximately $1.4 million.

f. *HUD Contributions* - Contributions, including operating subsidies, are made by HUD to offset certain expenditures of the Authority. These contributions are credited directly to surplus and are more fully described as follows:

- Housing Assistance Payment ("HAP") subsidies and Administrative Fees are received by the Authority, subject to certain limitations, for operation of the Section 8 Voucher, Certificate and Moderate Rehabilitation Program. The amount of the HAP is determined based upon numerous criteria, including dwelling and family size, tenant income, and market rent.
- Basic annual contributions are received from HUD to cover the excess of expenditures over receipts for its Conventional Program, not to exceed maximum amounts stipulated in the Annual Contribution Contract. The Authority is required to remit excess residual receipts from operations and investment income to HUD as defined in ACC C-5003 to reduce the annual HUD contributions.

g. *Debt Amortization Funds* - Debt amortization funds consist of cash and investments held by fiscal agents. These funds are used to retire current installments of debt and to pay interest accrued thereon. Debt amortization funds are required for the Conventional, Ambleside and Severance Programs.

h. *Recognition of Revenues, Expenditures and Contributions to Surplus* - Contributions and subsidies received from HUD are generally recognized as contributions to surplus in the Annual Contribution Contract year to which the contribution and subsidy pertain. Tenant rental revenues are recognized during the period of occupancy. Contributions under GCP, MROP, URD and VRP are recognized when the related expense is incurred.

Expenses are recognized in conformity with HUD accounting practices which generally reflect accrual accounting with the exceptions indicated in Notes 2b, 2d, 2e and 11.

i. *Amortization of Costs Associated with Ambleside Refinancing and HUD Bonds Payable* - Bond premiums, original issuance discounts and bond issuance discounts are amortized over the life of the underlying debt using the interest method.

j. *Indirect Costs* - Certain indirect costs are charged to programs under a HUD approved cost allocation plan. These indirect costs are accumulated in and allocated from the Conventional Low-Rent Housing Program.

k. *Inventory* - Inventory is valued using an average costing method.

3. DEPOSITS AND INVESTMENTS

Legal Requirements - The investment and deposit of the Authority's monies are governed by the provisions of the Ohio Revised Code and the Authority's written investment policy. Only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The Authority is also generally permitted to invest its monies in certificates of deposit, savings accounts, money market accounts, certain highly rated commercial paper, the State Treasurer's investment pool (STAR Ohio), and obligations of certain political subdivisions of Ohio and the United States government and its agencies. These investments must mature within five years of their purchase. The Authority may also enter into repurchase agreements with any eligible depository or any eligible dealer for a period not exceeding thirty days.

Under Ohio law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at at least 110 percent of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific qualifying securities upon which the repurchase agreements are based. These securities must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Authority's name.

The Authority is prohibited from investing in any financial instrument, contract, or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract, or obligation itself (commonly knows as a "derivative"). The Authority is also prohibited from investing in reverse purchase agreements.

To demonstrate its custodial credit risk with deposits and investments and compliance with the Ohio Revised Code, the Authority follows Governmental Accounting Standards Board Statement No. 3 (GASB No. 3), which has established custodial credit risk categories for deposits and investments as follows:

Deposits:

Category 1	Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.
Category 2	Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.
Category 3	Uncollateralized as defined by the GASB (securities pledged with the pledging financial institution's trust department or agent, but not in the Authority's name).

Investments:

Category 1	Insured or registered, or securities held by the Authority or its agent in the Authority's name.
Category 2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority's name.

Deposits - At year-end, the carrying amount of the Authority's deposits was $15,660,817 and the bank balance was $21,616,671, the difference representing outstanding checks and other in-transit items. Of this amount, $215,500 was covered by FDIC insurance, and $21,401,171 was collateralized with securities held at the Federal Reserve Bank in the Authority's name.

Investments - The Authority's investments are identified by risk category as follows.

Description	Risk Category 1	Risk Category 2	Risk Category 3	Fair Value
Management Funds		$7,603,413		$7,603,413
Escrow funds			$827,673	827,673
Total		$7,603,413	$827,673	$8,431,086

A reconciliation of cash and investments as shown on the Combined Balance Sheet follows:

	Conventional Low-Rent Housing Program	Home-Ownership Program	Section 8 Voucher, Certificate and Moderate Rehabilitation Program	Ambleside	Severance
Cash and unrestricted investments	$12,845,324	$1,259,934	$2,242,943	$ 222,783	
Restricted investments	1,231,576	338,943		872,681	$ 656,153
Escrow funds	827,673				
Debt amortization funds	27,360			892,956	928,350
Total	$14,931,933	$1,598,877	$2,242,943	$1,988,420	$1,584,503
Carrying amount of deposits	$11,103,233	$1,259,934	$2,242,943	$ 222,783	
Carrying amount of investments	3,828,700	338,943		1,765,637	$1,584,503
Total	$14,931,933	$1,598,877	$2,242,943	$1,988,420	$1,584,503

	Quarrytown	Noah Properties	Local	Title V	Grants Consolidated	Total
Cash and unrestricted investments	$ 37,638	$ 70,651	$ 98,311	$ 333,469	$ 454,616	$ 17,565,669
Restricted investments	750,542					3,849,895
Escrow funds						827,673
Debt amortization funds						1,848,666
Total	$ 788,180	$ 70,651	$ 98,311	$ 333,469	$ 454,616	$ 24,091,903
Carrying amount of deposits	$ 37,638	$ 70,651	$ 98,311	$ 170,708	$ 454,616	$ 15,660,817
Carrying amount of investments	750,542			162,761		8,431,086
Total	$ 788,180	$ 70,651	$ 98,311	$ 333,469	$ 454,616	$ 24,091,903

4. RESTRICTED CASH AND INVESTMENTS

The cash balances for the Conventional Low-Rent Housing Program, and the Section 8 New Construction Housing Assistance Payments Programs (Ambleside, Severance, and Quarrytown) include tenant security deposits of $730,303, $27,000, $27,000, and $32,000, respectively.

HUD regulations require that nonroutine maintenance reserves be maintained for Section 8 New Construction projects. Ambleside, Severance, and Quarrytown's ending cash investment balances include nonroutine maintenance reserves of $339,585, $588,038, and $606,783, respectively.

The Title V investment of $162,761 consists of government securities money market fund in a Merrill Lynch investment account. Title V investment is unrestricted. The Conventional Low-Rent Housing Program investment of $3,001,027 includes a $500,622 in a Federal Agency note which is restricted as collateral for a letter of credit required by the Industrial Commission of Ohio (Workers' Compensation) to maintain its self-insured status under this program, and an unrestricted $1,742,091 prorata share of money market accounts and U.S. Treasury Bills.

The Homeownership Program investment balance of $338,943 consists of investments in a certificate of deposit that was purchased to secure the Non-Routine Maintenance Reserve (NRMR) and Earned Home Payment Account (EHPA) reserves for program participants.

5. LAND, STRUCTURES AND EQUIPMENT

The Authority does not maintain detailed records that track fixed assets by category. The following schedule lists fixed asset balances for individual programs.

Description	Balance, January 1, 1998	Net Change	Balance, December 31, 1998
Conventional Low-Rent Housing Program	$680,302,639	$36,218,740	$716,521,379
Homeownership Program	3,016,427	(360,964)	2,655,463
Section 8 Voucher, Certificate and Moderate Rehabilitation Program	693,178	109,852	803,030
Section 8 New Construction Housing Assistance Payment Programs:			
Ambleside	6,241,040	9,708	6,250,748
Severance	15,689	5,340	21,029
Quarrytown	21,804	3,624	25,428
Title V	3,421,307	175,012	3,596,319
Grants Consolidated	278,525	793,096	1,071,621
Total (Memorandum only)	$693,990,609	$36,954,408	$730,945,017

6. TENANT DEPOSITS

Tenant deposits in the Conventional Program and Section 8 New Construction Programs consist of security deposits. Tenant deposits in the Homeownership Program are to be used by tenants for the purchase of their home and are held in reserve for nonroutine maintenance.

7. DEFERRED COMPENSATION PLAN

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Authority is part of a multiple-jurisdiction plan administered by the Ohio Public Employees Deferred Compensation Board (the "Board"). The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights were (until paid or made available to the employee or other beneficiary) solely the property and rights of the participants in the program and their beneficiaries. The plan agreements state that the Authority has no liability for losses with the exception of fraud or wrongful taking.

The amounts on deposit with the program are not reflected in the accompanying balance sheet as of December 31, 1998 because they are held in trust for the exclusive benefit of participants in the program and their beneficiaries. See Note 13 regarding the accounting change with respect to the deferred compensation program.

8. DEBT OBLIGATION

Capital Lease:

In 1997, the Authority entered into a Tax Exempt Installment Purchase Agreement for the purchase of equipment to upgrade the heating and energy efficiency of several estates. The accompanying financial statements reflect the total principle obligations under the agreement as debt. The agreement expires in September 2010.

Payments under the agreement are as follows:

1999	$ 827,684
2000	827,684
2001	827,684
2002	827,684
2003	827,684
Thereafter	5,586,838
	9,725,258
Less amount representing interest	(2,543,570)
Principal amount	$7,181,688

Section 8 New Construction:

In December of 1994, the Authority, through the Cleveland-Rock Glen Housing Assistance Corporation, an instrumentality of the Authority, issued $8.3 million in Multifamily Housing Revenue and Revenue Refunding bonds to retire the mortgage on the Ambleside Section 8 New Construction project. The Authority has entered into a Memorandum of Understanding with the U.S. Department of Housing and Urban Development which states the remaining proceeds of this transaction shall be used for the construction of housing for low income elderly, handicapped and disabled people.

The bonds are secured by a pledge of all revenues of the Ambleside project, including the housing assistance payment from HUD, and by a mortgage on the Ambleside property. The serial bonds mature in June and December of each year through December 2005 and bear interest at rates ranging from 4.75 percent to 6.75 percent. The $5.955 million term bond matures June 1, 2018, and bears interest at a rate of 7 percent.

The following is a summary of Ambleside's future debt service requirements for bonds payable as of December 31, 1998:

Serial	
1999	$ 195,000
2000	205,000
2001	225,000
2002	235,000
2003	255,000
Thereafter	565,000
Term	
2018	5,955,000
Less Unamortized Bond Discount	(315,155)
Total	$7,319,845

At the Authority's option, the Bonds are subject to redemption after June 1, 2006, in whole or in part at a redemption price equal to the principal amount plus accrued interest through the redemption date, plus a premium.

HUD Guaranteed Debt:

HUD has provided financing for various projects of the Authority by issuing bonds and notes to third parties. The repayment of principal and interest on these bonds and notes is solely the responsibility of HUD.

Under the terms of the agreement, the Authority is required to maintain certain deposits with a trustee. The balances of the various accounts include:

	1998
Debt Service Reserve Fund	$ 727,001
Bond Fund	164,693
Maintenance and Replacement Fund	339,585
Tax and Insurance Escrow	58,040
Revenue Fund	44,290
Surplus Account	444,121

9. PENSION PLAN

Employees and Plan - Employees of the Authority belong to the Public Employees Retirement System of Ohio ("PERS"), a state-wide and state administered defined benefit, cost-sharing multi-governmental employer pension plan, as required by the Ohio Revised Code.

PERS - PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. The Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to the Public Employees Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Employees are required to contribute 8.5 percent of their annual covered salary to PERS. The employer contribution rate for local government employer units is 13.55 percent of covered payroll, including 4.2 percent that is used to fund postretirement health care benefits. The Authority's total contributions to PERS for pension benefits (excluding the amount relating to postretirement benefits) for the years ended December 31, 1998, 1997 and 1996 were $4,909,641, $4,137,645 and $3,728,229, respectively, equal to the required contributions for each year.

PERS Other Postretirement Benefits - PERS provides postretirement health care coverage to age and service retirants with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit ("OPEB") as described in GASB Statement No. 12.

A portion of each employer's contribution to PERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund pension and postretirement health care through their contributions to PERS. The portion of the employer contribution rate used to fund health care for 1998 was 4.2% of covered payroll. During 1998, $1,521,808 of the Authority's total contribution to PERS was used for postretirement benefits.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely.

During 1997, PERS adopted a new calculation methodology for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions equal to 4.2 percent of member covered payroll are set aside to fund health care expenses. Under the prior method, which was actually based, accrued liabilities and normal cost rates were computed to determine the amount of employer contributions necessary to fund OPEB.

Total PERS expenditures for OPEB during 1998 where $441 million. As of December 31, 1998, the unaudited estimated net assets available for future OPEB payments were $9.4 billion. The number of PERS benefit recipients eligible for OPEB at December 31, 1998 was 115,579.

10. INSURANCE COVERAGE AND RISK RETENTION

The Authority is self-insured for workers' compensation. An excess liability policy provides coverage for individual claims that are greater than $350,000 per individual and $10,000,000 in the aggregate. The Authority has recorded a liability for self-insured workers' compensation of $1,265,900, in its Conventional Program. $500,000 of this liability has been funded. The Authority carries coverage for certain property losses and employee health care through various insurance carriers.

As described in Note 1, the Authority is a member of HARRG, which is a comprehensive general liability insurance group operated as a joint venture by its public housing authority members. Through HARRG, the Authority carries $5,000,000 of general liability coverage, with a $25,000 deductible, as well as $1,000,000 of law enforcement liability, with a $5,000 deductible, and $2,000,000 of public officials' errors and omissions coverage, with a $10,000 deductible.

The Authority is also a member of HAPI, which is a property insurance group operated as a joint venture by its public housing authority members. Through HAPI, the Authority carries building and landlords' contents coverage with a $20,000 deductible.

A summary of financial information for HARRG and HAPI are as follows:

	HARRG (Unaudited)	HAPI (Unaudited)
As of December 31, 1998		
Total assets	$199,942,663	$ 30,741,407
Liabilities and members' equity:		
Liabilities	109,621,346	17,323,025
Members' equity	40,321,317	13,418,382
Total liabilities and members' equity	$149,942,663	$ 30,741,407
Operating results for the year ended December 31, 1998:		
Total income	$ 25,477,846	$ 14,153,902
Total expenses including policyholder dividends and income tax	23,090,436	14,240,598
Net income	$ 2,387,410	$ (86,696)
Members' equity at beginning of year	$ 34,745,373	$ 12,743,802
Net income	2,387,410	(86,696)
Members' equity contributions (withdrawals) for the year - net	265,825	141,957
Change in net unrealized gain on investments available for sale	2,943,583	549,598
Dividends and other	(20,874)	69,721
Members' equity at end of year	$ 40,321,317	$ 13,418,382
The Authority's premium payments for the year	$ 357,230	$ 367,151

11. CONTINGENCIES

The Authority participates in a number of federally assisted grant programs, including the Low Rent Housing Program, Section 8 Program, and Comprehensive Grant Program. The Authority has been audited in accordance with the provisions of the Single Audit Act of 1996, and certain compliance findings and questioned costs have resulted.

The Authority resolved questioned costs resulting from audits for the period 1985 through 1995 during 1996 through the administrative appeal process provided under 24 CFR 85.436. There were additional compliance findings and questioned costs arising from the Authority's 1996 and 1997 audits. The ultimate resolution of the additional compliance findings and questioned costs are not presently determinable. No provision has been made in the financial statements for the effect, if any, of such contingencies.

The Authority is a defendant in several lawsuits. In addition, certain matters related to the Authority are currently under investigation by outside law enforcement and regulatory agencies. The outcome of these matters is not presently determinable. No provision has been made in the financial statements for the effects, if any, of such contingencies.

12. DEFICITS IN SURPLUS

The Section 8 Voucher, Certificate and Moderate Rehabilitation Program has an overall deficit in surplus of $1,212,569 at December 31, 1998. It is management's plan to eliminate the Section 8 deficit by reducing administrative and overhead costs of the program. Management will also re-evaluate the cost allocation plan. Management believes that the administrative fees earned in excess of the costs to operate the Section 8 Program will be sufficient to reduce the deficit. Management plans to take a more structured and aggressive approach toward reduction of the deficit.

The Noah Properties Fund has an overall deficit in surplus of $204,784 at December 31, 1998. Management plans to eliminate the deficit in surplus through the receipt of grant funds for the demolition and rehabilitation of these properties.

13. EQUITY TRANSFERS

During 1998, the Authority made net equity transfers as follows:

	Transfer In	Transfer Out
Noah Properties		$ 224,106
Local Program	$ 100,000	
Title V/New Town - In Town	784,023	
Grants Consolidated		659,917
	$ 884,023	$ 884,023

The transfers out of the Noah Properties Fund and the Grants Consolidated Fund were to repay expenses originally paid out of the Title V/New Town - In Town fund.

The $100,000 transfer into the Local Program Fund was made to establish that fund.

14. CHANGE IN ACCOUNTING PRINCIPLES

Investments - For fiscal 1999, the Authority has implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The statement established accounting and reporting guidelines for government investments and investment pools. Certain investments which were reported at cost in previous years are now reported at fair value. The implementation of this statement did not have any effect on the fiscal 1998 financial statements.

Deferred Compensation Program - In accordance with GASB Statement No. 2, "Financial Reporting of Deferred Compensation Plans Adopted Under the Provisions of Internal Revenue Code Section 457," the Authority used its Conventional Low-Rent Housing Program fund to account for monies deposited by its employees in the deferred compensation program prior to 1998 (see Note 7) because the monies were the property of the Authority (until paid or made available to the employee or beneficiary) subject to the claims of the programs' general creditors. Internal Revenue Code Section 457 was amended during 1996 requiring deferred compensation plans to transfer all of their deposits into newly established trusts for the exclusive benefit of plan participants and their beneficiaries by January 1, 1999. During 1998, the Authority's deferred compensation program was amended to establish such a trust and all of the assets were deposited into the trust. Accordingly, during 1998, the Authority applied the provisions of Statement No. 32 of the GASB, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," and has excluded the amounts deposited in the program by Authority employees from the accompanying balance sheet of the Conventional Low-Rent Housing Program as of December 31, 1998.

* * * * * *

REQUIRED SUPPLEMENTARY SCHEDULE OF YEAR 2000 ISSUES (UNAUDITED)

The year 2000 issue is the result of shortcomings in many electronic data processing and other equipment that may adversely affect the Authority's operations as early as 1999.

The Authority has identified computer systems that are critical to conducting operations and is subjecting these systems to the following stages of work to address year 2000 issues:

- Awareness stage – Establishing a budget and project plan for dealing with year 2000 issues.
- Assessment stage – Identifying the systems and components for which year 2000 compliance work is needed.
- Remediation stage – Making changes to systems and equipment.
- Validation stage – Validating and testing the changes that were made during the remediation stage.

The Authority has completed an inventory of computer systems and other equipment necessary to conducting operations. Following are the systems and stage of work completed:

- Financial and Inventory Management Systems – The Authority has contracted with the software vendor to remediate this system. Remediation of the system and testing has been completed.

- Building and Estate Security Systems – The Authority has fully upgraded the system and has completed testing and validation of the system's compliance.

- Heating, Ventilation, and Air-conditioning Systems – All systems have been remediated and tested for compliance. In addition, emergency generators are being installed at all estate locations should the utility companies experience problems.

- Elevator Systems – Changes in programming have been identified. Currently, the decision has to be made to do the changes internally or use an outside vendor. The remediation, testing and validation of the system remain to be done.

- Police and Safety Radio Systems – All new systems have been installed. These systems have been fully tested for compliance.

- The Authority has completed testing and validation on all electronic equipment it identified as necessary to conducting Authority operations.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Authority is or will be year 2000 ready, that the Authority's remediation efforts will be successful in whole or in part, or that parties with whom the Authority does business will be year 2000 ready.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1998

Federal Grantor/Program Title	CFDA/Contract Number	Federal Revenues	Other Revenues	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (DIRECT PROGRAMS)				
Major Programs:				
Conventional Low-Rent Housing Programs:				
Subsidy	14.850	$ 44,237,093	$ 11,432,008	$ 53,700,303
Contribution for Debt Service	14.850			
Major Reconstruction of Obsolete Properties	14.850	726,789		545,851
Vacancy Reduction Program	14.850	12,423		1,109
Subtotal CFDA #14.850		44,976,305	11,432,008	54,247,263
Section 8 Voucher, Certificate and Moderate Rehabilitation Program				
New Construction - Ambleside	14.156	905,543	543,951	1,035,787
New Construction - Severance	14.156	875,144	485,513	1,191,337
New Construction - Quarrytown	14.156	762,838	428,662	1,109,810
Certificate, Voucher and Moderate Rehabilitation	14.177	45,185,587	274,817	44,698,556
Subtotal CFDA #14.156/177		47,729,112	1,732,943	48,035,490
Comprehensive Improvement Assistance Program				
Comprehensive Improvement Assistance Program	14.859	37,006		9,855
Comprehensive Grant Program - 1993	14.859	(49,244)		
Comprehensive Grant Program - 1994	14.859	2,349		1,618
Comprehensive Grant Program - 1995	14.859	243,390		61,871
Comprehensive Grant Program - 1996	14.859	3,245,873		2,103,855
Comprehensive Grant Program - 1997	14.859	7,093,640		7,907,617
Comprehensive Grant Program - 1998	14.859	6,514,668		6,514,668
Emergency Funding	14.859	6,086,623		5,996,353
Subtotal CFDA #14.859		23,174,305		22,595,837
Urban Revitalization Development Grant	14.866	8,320,098		6,025,545
Youth Apprentice Grant	0812YAP00300195	176,776		176,776
Urban Youth Corps Grant	H12UYC0030019	61,208		60,415
Homeownership Program	14.851	263,033	417,289	250,507
Transitional Housing Program	14.235	456,112		456,436
Service Coordinators Grant - 1995	14.861	221,708		221,630
Drug Elimination Grant - 1994	14.854			
Drug Elimination Grant - 1995	14.854	298,496		177,766
Drug Elimination Grant - 1996	14.854	1,593,867		1,527,793
Drug Elimination Grant - 1997	14.854	376,823		281,199
Youth Violence Grant	14.854	157,713		154,855
Subtotal CFDA #14.854		2,426,899		2,141,613
PASS THROUGH PROGRAM				
Community Development Block Grant received through the Ohio Department of Development	14.218	37,641		37,641
Total U.S. Department of Housing and Urban Development		$127,843,197	$ 13,582,240	$134,249,153

(Continued)

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 1998

Federal Grantor/Program Title	CFDA/Contract Number	Federal Revenues	Other Revenues	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE				
PASS THROUGH PROGRAM				
COPS Grant Cuyahoga County Department of Justice		$ 355,263		$ 350,680
Total U.S. Department of Justice		$ 355,263		$ 350,680
U.S. DEPARTMENT OF LABOR				
PASS THROUGH PROGRAM				
Summer Youth Employment Program passed through Cuyahoga County	17.246/ 17.250	$		$ 13,310
TOTAL FEDERAL FINANCIAL ASSISTANCE		$ 128,198,460	$13,582,240	$ 134,613,143

See the Accompanying Notes to the Supplementary Schedule of Expenditures of Federal Awards.

(Concluded)

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

NOTES TO SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 1998

1. GENERAL

The accompanying Supplementary Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Cuyahoga Metropolitan Housing Authority (the "Authority"). The Authority reporting entity is defined in Note 1 to the Authority's financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is required to be included on the supplemental schedule. "Other Revenues" and "Expenditures" categories include transfers in and transfers out between federal programs.

2. BASIS OF ACCOUNTING

The accompanying Supplementary Schedule of Expenditures of Federal Awards is presented using a comprehensive basis of accounting other than generally accepted accounting principles, which is described in Note 2 to the Authority's financial statements.

3. CLASSIFICATION AND PRESENTATION OF FEDERAL FINANCIAL ASSISTANCE IN THE FINANCIAL STATEMENTS

Federal financial assistance is reported as either a component of the statements of revenues and expenses or the statements of changes in surplus as follows:

	Statements of Revenues and Expenses	Statements of Changes in Surplus	Total
Conventional Low-Rent Housing		$ 51,050,505	$ 51,050,505
Home Ownership		263,033	263,033
Section 8 Voucher, Certificate and Moderate Rehabilitation		45,185,587	45,185,587
Section 8 New Construction Housing Assistance Payments Programs:			
Ambleside	$ 905,543		905,543
Severance	875,144		875,144
Quarrytown	762,838		762,838
Modernization Programs		25,420,204	25,420,204
Other Grants	3,735,607		3,735,607
TOTAL	$ 6,279,132	$ 121,919,329	$ 128,198,461

Expenditures are reported as a component of the statements of revenues and expenditures for all programs except the Comprehensive Grant Program (CGP), Major Reconstruction of Obsolete Properties Program (MROP), Urban Revitalization Development Grant (URD), and Vacancy Reduction Program (VRP), which record expenditures as additions to land, structures, and equipment.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Cuyahoga Metropolitan Housing Authority

We were engaged to audit the financial statements of the Cuyahoga Metropolitan Housing Authority (the "Authority") as of and for the year ended December 31, 1998 and have issued our report thereon dated November 4, 1999. Our report states that we are unable to express, and do not express, an opinion on such financial statements due to limitations on the scope of our audit, inadequacies in the Authority's records and material weaknesses in the Authority's internal control structure. Our report also contains explanatory paragraphs concerning uncertainties relating to various matters. The report disclaims an opinion on the required supplementary information relating to the year 2000 issues. Accordingly, we were unable to perform an audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs as follows.

Finding Number	Description
98-2	Compliance with Memorandum of Agreement and Allowable Costs
98-3	Noah Properties Deficit
98-4	Section 8 Deficit
98-5	Modernization Programs
98-9	Self-Insured Workers' Compensation Program
98-10	Family Self Sufficiency

Internal Control Over Financial Reporting

In planning and performing our engagement referred to above, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operations of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as follows.

Finding Number	Description
98-1	Control and Financial Reporting Environments
98-5	Modernization Programs
98-6	General Ledger Account Support and Reconciliations
98-7	Internal Controls Over Accounts Payable
98-8	General Ledger Entries
98-10	Family Self Sufficiency

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe all of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the Board of Commissioners, the audit committee, management of the Authority and officials of the U.S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

November 4, 1999

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM

Board of Commissioners
Cuyahoga Metropolitan Housing Authority

Compliance

We were engaged to audit the compliance of the Cuyahoga Metropolitan Housing Authority (the "Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 1998. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

Except as discussed in paragraph four of this report, we conducted our audit of compliance in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* As discussed in the following paragraph, we were unable to perform an audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

We were also engaged to audit the financial statements of the Authority as of and for the year ended December 31, 1998 and have issued our report thereon dated November 4, 1999. Our report states that we are unable to express, and do not express, an opinion on such financial statements due to limitations on the scope of our audit, inadequacies in the Authority's records and material weaknesses in the Authority's internal control structure. Our report also contains explanatory paragraphs concerning uncertainties relating to various matters. Accordingly, we were unable to perform an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States.

We were unable to obtain sufficient documentation supporting the compliance of the Authority with the requirements described in the accompanying Schedule of Findings and Questioned Costs, nor were we able to satisfy ourselves as to the Authority's compliance with those requirements by other auditing procedures.

The following list of compliance citations relating to major programs is detailed in the accompanying Schedule of Findings and Questioned Costs. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to the major programs.

Finding Number	Description
98-4	Section 8 Deficit
98-9	Self-Insured Workers' Compensation Program
98-10	Family Self Sufficiency
98-11	Section 8 Procedures
98-12	Quality Control Review of Section 8 and Conventional Program Admissions
98-13	Multifamily Tenant Characteristics System Submissions
98-14	Conventional Program Utility Allowances
98-15	Annual Reexaminations of Conventional Tenants
98-16	Construction Delay Log
98-17	Public Housing Management Assessment Program
98-18	Section 8 New Admission
98-19	Section 8 Compliance
98-20	Section 8 Quality Control
98-21	Section 8 Utility Allowances
98-22	Transitional Housing Activities Allowed and Unallowed
98-23	Transitional Housing Matching
98-24	Transitional Housing Cash Controls
98-25	Transitional Housing Program Income
98-26	Transitional Housing Reporting
98-27	Transitional Housing Subrecipient Monitoring
98-28	COPS Grants Matching Requirements
98-29	COPS Grants Eligibility

As further described in the accompanying Schedule of Findings and Questioned Costs, because of the matters described in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the Authority's compliance with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1998.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Authority's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as follows:

Finding Number	Description
98-1	Control and Financial Reporting Environments
98-6	General Ledger Account Support and Reconciliations
98-7	Internal Controls Over Accounts Payable
98-8	General Ledger Entries
98-10	Family Self Sufficiency
98-11	Section 8 Procedures

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe all of the reportable conditions described above to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, the audit committee, management of the Authority and officials of the U.S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

November 4, 1999

Part I – Summary of Auditors' Results

1. The independent auditors' report on the financial statements disclaimed an opinion. We were unable to obtain a letter of representation from the Authority's management; we believe the system on internal accounting and administrative controls at the Authority is deficient; there are significant inadequacies in the Authority's accounting records for land, structures and equipment; and there are significant inadequacies in the Authority's accounting records for accounts payable, accounts receivable from HUD and accounts payable to HUD.

2. Reportable conditions in internal control over financial reporting were identified, all of which are considered to be material weaknesses.

3. Instances of noncompliance considered material to the financial statements were disclosed by our work.

4. Reportable conditions in internal control over compliance with requirements applicable to major federal awards programs were identified, all of which are considered to be material weaknesses.

5. The independent auditors' report on compliance with requirements applicable to major federal award programs disclaimed an opinion.

6. The audit disclosed findings required to be reported by OMB Circular A-133.

7. The Authority's major programs were:

Name of Federal Program or Cluster	CFDA Number
Conventional Low-Rent Housing Program	14.850
Section 8 Voucher, Certificate and Moderate Rehabilitation Program	14.156/ 14.177
Transitional Housing Program	14.235
COPS Grant – Cuyahoga County Department of Justice	16.550

8. A threshold of $3,000,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.

9. The Authority did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

Part II – Financial Statement Findings Section

FINDING NO.	INTERNAL CONTROL STRUCTURE AND COMPLIANCE COMMENTS	QUESTIONED COSTS

98-1 **Control and Financial Reporting Environments**

Condition - We noted the following matters related to the internal control and financial reporting environments:

Formal budgets are not prepared, presented to, or adopted by the Board of Commissioners for most programs. For example, we were unable to obtain budgets for the Title V or Affordable Housing programs.

Through May 1998, executive management would override internal control procedures and initiate/authorize transactions without adequate support.

The Authority frequently adjusts and transfers expenses between programs, both within the same calendar year and between calendar years. The procedures to code expenditures to the proper program at the time of the transaction are inadequate.

There are inadequate communications between operating departments and the financial department. There are no procedures to identify matters that could have financial implications.

Significant deficiencies in applying accounting practices permitted by the U.S. Department of Housing and Urban Development were noted, and the fiscal department at the Authority did not appear to have an understanding of basic accounting requirements. For example:

- Accounts payable were not established consistently, and cut-off procedures were inadequate.

The HUD basis of accounting does not currently nor has it ever provided exceptions to generally accepted accounting principles for matters such as these. In addition:

- Account reconciliations were not always prepared on a timely basis, and adjustments that resulted from reconciliations were not always posted.

FINDING NO.	INTERNAL CONTROL STRUCTURE AND COMPLIANCE COMMENTS	QUESTIONED COSTS

- Supporting documentation for account balances was not readily available and was often presented in a form that did not provide the detail supporting the general ledger balances. This required the accounting staff of the Authority to do a significant amount of research and analysis during the course of the audit to support balances.

- Management could not readily provide explanations for significant fluctuations in its financial statements. This required the accounting staff of the Authority to do a significant amount of research and analysis during the course of the audit to explain these fluctuations.

- In many instances, journal entries did not have adequate support.

Criteria - Adequate knowledge of accounting, internal control and financial reporting requirements, along with analysis, monitoring and oversight should be in place to ensure that financial statements are complete and accurate and to safeguard the Authority's assets.

Effect - Errors or omissions may occur that could result in inaccurate financial reporting or misappropriation of assets. These errors or omissions would not be detected in the normal course of performing duties in the accounting and financial reporting departments. As a result, financial reports and information relied on by management in operating the Authority may not be accurate.

Recommendation - Management of the accounting and reporting departments should be upgraded to provide the necessary leadership, training, monitoring and analysis that is necessary to prepare accurate financial reports. Procedures should be developed and enforced to maintain appropriate supporting documentation for account balances and journal entries and to prepare timely account reconciliations. Methods and guidelines for interdepartmental communications of matters that could have financial accounting or reporting implications should be developed.

FINDING NO.	INTERNAL CONTROL STRUCTURE AND COMPLIANCE COMMENTS	QUESTIONED COSTS

98-2 Compliance With Memorandum of Agreement and Allowable Costs

Condition - The Authority did not comply with the terms of its Memorandum of Agreement with HUD related to use of net proceeds from refinancing its Ambleside Apartments. The Authority spent approximately $189,000 in 1998 on its Affordable Housing Program without producing any homes. The Authority spent approximately $66,000 in 1998 from its Title V Program for items unrelated to construction of homes for very low income elderly and disabled people. The net proceeds received on the refinancing were commingled with other agency funds in the Title V Program.

Certain disbursements from the Title V fund did not have adequate support, did not meet the criteria of allowable costs as defined by OMB Circular A-87 or did not meet the criteria of a valid public purpose under guidelines established by the State of Ohio. For example, of expenditures tested totaling $33,468, the following conditions were noted:

Unsupported journal vouchers	$ 14,615
Seven unsupported payments totaling	$ 8,541
Employee entertainment and charity events	$ 1,500
Mortgage payment on Executive Director's condominium	$ 4,136

In addition, the Authority made an equity transfer of $100,000 from Title V to a new discretionary fund, the Local Programs Fund, during 1998. During our testing of the Local Programs Fund expenditures, we noted the following conditions:

Unsupported expenditures	$ 2,918
Entertainment and charity events	$ 4,508

Criteria - The Authority entered into a Memorandum of Agreement with HUD in connection with net proceeds received when it issued $8.3 million Multifamily Housing Revenue and Refunding Bonds to refinance its Ambleside Apartments. The Memorandum of Agreement stipulated that $2,538,638 of net proceeds generated by the refinancing should be used by the Authority for the construction of housing for very low income elderly or disabled people.

Effect - Improper expenditures were made.

Recommendation - The Authority should implement procedures to ensure that all funds are spent on allowable items and in accordance with restrictions placed upon them. $ 255,111

FINDING NO.	INTERNAL CONTROL STRUCTURE AND COMPLIANCE COMMENTS	QUESTIONED COSTS
98-3	**Noah Properties Deficit**	
	Condition - Funds from Noah Properties have been transferred to other funds, resulting in a fund deficit of $204,784 at December 31, 1998. In addition, it had an interfund payable balance of $241,933.	
	Criteria - Each federal program and grant requires that all funds provided to the Authority be spent in accordance with the contract.	
	Effect - The Noah Properties fund may be unable to repay its obligations to other funds.	
	Recommendation - The Authority should spend funds from each program in accordance with the specific contract or grant requirements. If funds are borrowed by any fund, the ability to repay the obligation should be apparent based on expected future receipts.	$ 446,717
98-4	**Section 8 Deficit**	
	Condition - Funds from the low income public housing program have been used to cover costs of the Section 8 program. At December 31, 1998, the Section 8 program had an overall fund balance deficit of $1,212,569; an interfund payable balance of $2,637,434; and a non-liquid asset balance in land, structures and equipment of $803,030 and had a net payable to HUD of $536,818.	
	Criteria - The Annual Contributions Contract for the low income public housing program requires that all funds provided to the Authority under this contract be spent to administer its low income public housing program.	
	Effect - The Section 8 program does not have the ability to repay its obligation to the low income public housing program. The Authority used low income public housing funds to operate its Section 8 program.	
	Recommendation - The Authority should spend funds from each program in accordance with the specific contract or grant requirements. In addition, if funds are borrowed by any fund, the ability to repay the obligation should be apparent based on expected future receipts.	$ 2,015,599

FINDING NO.	INTERNAL CONTROL STRUCTURE AND COMPLIANCE COMMENTS	QUESTIONED COSTS
98-5	**Modernization Programs**	
	Condition - Prior to 1997, the Authority did not have adequate systems to control costs charged to its CGP, MROP and URD grant programs to ensure that all costs charged to the programs were reimbursable and reimbursed by HUD. We noted the following matters related to reimbursements from HUD for modernization programs:	
	• Costs were charged to the program where there was no availability for reimbursement by HUD.	
	• Duplicate reimbursements from HUD were received.	
	These overpayments have not been settled with HUD almost three years later.	
	Criteria - Only costs reimbursable from HUD under the CGP, MROP and URD programs should be charged to these programs. The general requirement for cash management requires the Authority to minimize the time elapsed between the transfer of funds from the U.S. Treasury and the disbursement of funds by the Authority. Only allowable costs as defined by OMB Circular A-87 can be reimbursed.	
	Effect - The conventional low-income public housing program overstated its operating reserve in its reports to HUD by $1,526,208 for costs that are not reimbursable from HUD. The Authority has received $1,468,109 from HUD representing duplicate reimbursements from the CGP and URD programs that have not yet been settled. Financial reports submitted to HUD were not accurate.	
	Recommendation - The Authority should implement procedures to ensure that only costs reimbursable under specific programs are charged to those programs. In addition, procedures should be implemented to ensure that duplicate requests for reimbursement do not occur and that any overreimbursements are settled timely.	$ 1,468,109

FINDING NO.	INTERNAL CONTROL STRUCTURE AND COMPLIANCE COMMENTS	QUESTIONED COSTS

98-6 **General Ledger Account Support and Reconciliations**

Condition - We noted the following matters concerning account support and reconciliations:

- All bank reconciliations were not completed on a timely basis. Instances were noted where reconciling items were not investigated or adjusted on the books in a timely fashion. For example, checks had cleared the bank during December of 1998 that had not been recorded on the Authority's books.

- The Authority did not complete the reconciliation of accounts payable until several months after year end. During our testing of payables, we noted eight cut-off errors out of 104 items selected for testing. The Authority had to reperform its accounts payable cut-off analysis, which took a substantial amount of time and effort.

Criteria - Adequate internal controls and monitoring should exist over accounting and financial reporting to safeguard the assets of the Authority and ensure the preparation of accurate financial statements.

Effect - If sufficient internal controls and oversight are not implemented over the maintenance of account detail, timely preparation of account reconciliations, and recording adjustments to the accounting records, errors or improper transactions may not be detected on a timely basis and erroneous financial reporting could occur.

Recommendation - The Authority should maintain supporting detail for all balance sheet accounts. Monthly reconciliations of all accounts should occur on a timely basis, and adjustments should be recorded in the general ledger on a timely basis.

FINDING NO.	INTERNAL CONTROL STRUCTURE AND COMPLIANCE COMMENTS	QUESTIONED COSTS

98-7 Internal Controls Over Accounts Payable

Condition - Accounts payable personnel have the ability to enter the receipt of inventory, add a vendor, and enter invoices into the computer system. These incompatible functions could result in an improper disbursement.

Criteria - Adequate internal controls should exist over the disbursement of funds for the Authority.

Effect - Improper cash disbursements may occur and not be detected.

Recommendation - The accounts payable department should not have the ability to enter inventory receipts into the system or to create a new vendor.

98-8 General Ledger Entries

Condition - The general accounting manager and senior accountants have the ability to enter and post entries into the general ledger without any supervisory review or approval.

Criteria - Adequate internal controls should exist to prevent improper or unauthorized entries to the general ledger.

Effect - Improper or erroneous entries could be made to the general ledger that would not be detected.

Recommendation - Personnel who are responsible for preparing general ledger entries should not have the ability to release and post entries in the general ledger system.

98-9 Self-Insured Workers' Compensation Program

Condition - The Authority has obtained approval from HUD to adopt a self-insured workers' compensation program. At December 31, 1998, the Authority recorded a liability for its self-insured workers' compensation program of $2,225,000 based upon an actuarial valuation of the self-insurance liability. However, the Authority has not funded the estimated liability.

FINDING NO.	INTERNAL CONTROL STRUCTURE AND COMPLIANCE COMMENTS	QUESTIONED COSTS

Criteria - The annual contributions contract with HUD requires the Authority to maintain insurance for workers' compensation. In order to adopt a self-insurance program, approval must be obtained from HUD. HUD then requires the Authority to establish a liability on its books for the self-insured risks under such a program based upon an actuarial valuation and further requires the Authority to fund the liability.

Effect - The Authority's financial statements could be misstated. The Authority may not have adequate funds on hand to administer its workers' compensation program.

Recommendation - The Authority should fund its liability under the self-insured program based upon the actuarial valuation.

98-10 Family Self Sufficiency

Condition - The Authority is not performing periodic reconciliations between the detail of each family's escrow balance and the balance in the escrow bank account balance. At December 31, 1998, the escrow bank account balance should have been $314,474. In addition, the Authority could not provide any support to ensure that each family was sent an annual statement of its escrow account balance.

Criteria - The Family Self Sufficiency ("FSS") program is intended to help families living in housing projects achieve economic independence. Upon satisfactory completion of its FSS contract, or meeting specific interim goals, the family receives a distribution from its escrow account.

Effect - The Authority is required to maintain an escrow account for each family based upon an income formula. The detail of each family's escrow account should equal the amount in the escrow bank account. In addition, each family is required to receive an annual statement of its escrow balance.

Recommendation - Management should reconcile the detail of each family's escrow balance to the escrow bank account balance on a regular basis to ensure that there is adequate cash to pay out on all contracts. In addition, the Authority should ensure that it is sending each family its annual statement of escrow balance and maintaining support that this was done.

Part III – Federal Award Findings and Questioned Cost Section

FINDING NO.	INTERNAL CONTROL STRUCTURE AND COMPLIANCE COMMENTS	QUESTIONED COSTS
98-1	**Control and Financial Reporting Environments** See complete comment in Part II of this schedule.	None
98-2	**Compliance with Memorandum of Agreement and Allowable Costs** See complete comment in Part II of this schedule.	$255,111
98-3	**Noah Properties Deficit** See complete comment in Part II of this schedule.	$446,717
98-4	**Section 8 Deficit** See complete comment in Part II of this schedule.	$2,015,599
98-5	**Modernization Programs** See complete comment in Part II of this schedule.	$1,486,109
98-6	**General Ledger Account Support and Reconciliations** See complete comment in Part II of this schedule.	None
98-7	**Internal Controls Over Accounts Payable** See complete comment in Part II of this schedule.	None
98-8	**General Ledger Entries** See complete comment in Part II of this schedule.	None
98-9	**Self-Insured Workers' Compensation Program** See complete comment in Part II of this schedule.	None
98-10	**Family Self Sufficiency** See complete comment in Part II of this schedule.	None

FINDING NO.	INTERNAL CONTROL STRUCTURE AND COMPLIANCE COMMENTS	QUESTIONED COSTS

98-11 Section 8 Procedures

Condition - We noted the following matters regarding the administration of the Section 8 programs:

- Staff determinations of eligibility and rent were not subject to the required five percent supervisory review.

- There was inadequate security on the computer system. The same individuals had the access capabilities to set up a vendor (landlord), set up a client (tenant), build a contract, enter adjustments, and generate checks. This combination of incompatible functions could allow an individual to set up fictitious transactions.

- The Authority did not have controls in place to assure that reexaminations of income were made at least every twelve months.

- The Authority did not have controls in place to assure that adequate documentation to support the determination of family composition, income and other adjustments occurred. Instances were noted where supporting documentation was missing from the file at the time of our review and where annual reexaminations were not completed or where documentation supporting the annual reexaminations was not contained in the file at the time of our review.

- The Authority did not have controls in place to ensure that housing assistance payments were made on behalf of valid tenants currently occupying a unit. Instances were noted where HAP payments were made on behalf of tenants who had moved.

- The Authority did not have procedures in place to ensure that an owner was not receiving a double subsidy.

FINDING NO.	INTERNAL CONTROL STRUCTURE AND COMPLIANCE COMMENTS	QUESTIONED COSTS

Criteria - Adequate internal controls over the Section 8 program should exist.

Effect - The lack of adequate internal controls could result in improper disbursements and a failure to comply with the federal regulations that govern the program.

Recommendation - The Authority should assess computer security over its Section 8 system. Procedures should be adopted to ensure that all tenants are reexamined on a timely basis, that HAP payments are made only on behalf of currently eligible tenants, and that all necessary supporting documentation is obtained and maintained. Additionally, procedures to update the market rent database on an ongoing basis should be adopted.

98-12 Quality Control Review of Section 8 and Conventional Program Admissions

Condition - Determinations of eligibility, order of selection, income and rent were not subject to a quality control process during 1998. Numerous items were missing from tenant files.

Criteria - The Authority must assure that it is admitting eligible families for public housing and Section 8 in the order prescribed by its policies, correctly computing income and rent, and maintaining current and accurate records in accordance with the applicable provisions and requirements of 24 CFR Parts 813, 913, 882, 887, 960 and 982 and HUD Handbooks 7465.1 REV-2.

Effect - Errors and noncompliance may occur if sufficient quality controls are not implemented over the admissions cycle.

Recommendation - The Authority should implement quality control procedures to ensure it is admitting eligible families for public housing and Section 8 in the order prescribed by its policies, correctly computing income and rent, and maintaining current and accurate records.

FINDING NO.	INTERNAL CONTROL STRUCTURE AND COMPLIANCE COMMENTS	QUESTIONED COSTS

98-13 **Multifamily Tenant Characteristics System Submissions**

Condition - We noted the following matters regarding the Multifamily Tenant Characteristics System ("MTCS") submissions:

- Only approximately 29% of the MTCS submission of Form 50058 for Section 8 occurred.
- Only about 69% of the MTCS submission of Form 50058 occurred for the conventional program.

Criteria - The Authority is required to report accurate and timely data to HUD on Form 50058.

Effect - The Authority was not in compliance with regulations to submit Form 50058 to HUD.

Recommendation - The Authority should implement procedures to ensure the timely and accurate submission of Form 50058 for MTCS.

98-14 **Conventional Program Utility Allowances**

Condition - The basis on which utility allowances are established has not been reviewed since the early 1990s.

Criteria - The rent payable by a tenant includes an allowance for any tenant-paid utilities. HUD requires that average utility allowances be adjusted whenever there is an increase of at least 10%. Additionally, housing authority Administrative Order Section 35.04 requires the basis on which the utility allowances are established be reviewed at least annually.

Effect - The Authority may overcharge its tenants for rent.

Recommendation - The Authority should review its utility allowances annually.

FINDING NO.	INTERNAL CONTROL STRUCTURE AND COMPLIANCE COMMENTS	QUESTIONED COSTS

98-15 **Annual Reexaminations of Conventional Tenants**

Condition - In addition to testing of the tenant reexaminations in general, we selected 45 tenant transactions for testing and noted the following matters regarding annual reexaminations of conventional tenants:

- There were twelve instances where tenant reexamination did not occur.
- There were sixteen instances where tenant reexaminations were started, but never completed.

Criteria - HUD regulations require the Authority to make a redetermination of the families' income and rent at least every twelve months.

Effect - Incorrect rents may be charged to tenants or ineligible individuals may be living in the Authority's properties.

Recommendation - The Authority should have internal controls in place to ensure that all tenants are reexamined at least every twelve months.

98-16 **Construction Delay Log**

Condition - The Authority does not maintain a construction log of potential delays on its construction projects.

Criteria - The U.S. Department of Housing and Urban Development ("HUD") requires housing authorities to enforce contracts with its architects, engineers, contractors and developers. HUD instructs housing authorities to use construction logs to monitor potential delays on its construction projects.

Effect - The terms of its construction contracts may not be adequately monitored.

Recommendation - The Authority should maintain a construction log of potential delays.

FINDING NO.	INTERNAL CONTROL STRUCTURE AND COMPLIANCE COMMENTS	QUESTIONED COSTS

98-17 **Public Housing Management Assessment Program**

Condition - We have the following observations regarding the Public Housing Management Assessment Program ("PHMAP") self-assessment program:

- PHMAP indicator #1, vacancy number and percentage - There appears to be a lack of a central source of knowledge within the Authority regarding modernization vacancies, in particular units taken off-line for modernization. The Authority graded itself as an "F" for this indicator and HUD agreed in its confirmatory review.
- PHMAP indicator #6, financial management - The Authority computed its cash reserves as a grade of "A." During its confirmatory review, HUD adjusted the grade to a "D" due to poor financial records.

Criteria - PHMAP allows the Authority, its Board of Commissioners, its residents, and HUD to assess its performance and identify areas that need improvement. The Authority is required to certify PHMAP indicators to HUD after the end of each year and is required to maintain supporting documentation.

Effect - Inadequate sources of knowledge and methods for calculating PHMAP indicators can result in erroneous calculations that may not present the actual condition of the Authority.

Recommendation - The Authority should adopt procedures for the accurate preparation of the PHMAP indicators. An independent internal review of the PHMAP calculations should be performed, including all supporting documentation for the calculations.

FINDING NO.	INTERNAL CONTROL STRUCTURE AND COMPLIANCE COMMENTS	QUESTIONED COSTS

98-18 **Section 8 New Admission**

Condition - We selected 45 tenants for new admission testing and noted the following matters regarding compliance with Section 8 regulation:

- One instance where the supporting documentation for preferences was not presented.
- Twelve instances where the tenant certificate could not be located.

Criteria - HUD regulations required the Authority to keep adequate records to document its determinations of eligibility.

Effect - The Authority could make housing assistance payments on behalf of ineligible tenants.

Recommendation - Control procedures should be implemented to ensure that documentation is included in all files supporting eligibility and waiting list preferences.

98-19 **Section 8 Compliance**

Condition - We selected 45 tenants for compliance testing and noted the following matters regarding compliance with Section 8 regulation:

- Twenty-eight instances where the application form could not be located.
- Twenty-three instances where the third party income verification was not present in the file.
- Thirteen instances where birth certificates, social security cards or other documentation supporting family composition and other allowances could not be located.
- Twenty-three instances where HUD Form 9886 was missing.
- Twenty-two instances where HUD Form 50058 was not present in the file.
- Twenty-three instances where income verification forms used to compute total tenant payment and tenant rent were not included in the tenant file.

FINDING NO.	INTERNAL CONTROL STRUCTURE AND COMPLIANCE COMMENTS	QUESTIONED COSTS

- Thirty-two instances where support for deductions for any medical or child care expenses, in accordance with 24CFR 813.102, were missing from the tenant file.
- Twenty-two instances where there was no evidence that an annual income re-examination occurred.
- Twenty-eight instances where the tenant certification could not be located.
- Forty-three instances where the rent determination worksheet was missing from the tenant file.
- Twenty instances where the utilities allowance was computed by using the old tables that expired in 1997.
- Twenty-six instances where the HAP contract was not present in the tenant file.
- Twenty-one instances where there is no evidence that inspection and approval of the unit occurred.
- One instance where the inspection of the unit failed in October 1997 and the landlord was paid through March 1998.
- Nineteen instances where there was no evidence that an annual re-inspection of the unit occurred.
- Two instances where the annual re-inspection of the unit was not completed.
- One instance where the annual re-inspection of the unit failed in March 1998 and the landlord was paid through October 1998.

Criteria - HUD regulations require the Authority to keep adequate records to document its determinations of eligibility, income, rent and annual inspection.

Effect - The Authority could make housing assistance payments on behalf of ineligible tenants or landlord, or in incorrect amounts.

Recommendation - Control procedures should be implemented to ensure that documentation is included in all files supporting the eligibility and calculation of rent subsidies. Procedures should be implemented to ensure that all program participants are re-examined and all units are re-inspected once every twelve months.

FINDING NO.	INTERNAL CONTROL STRUCTURE AND COMPLIANCE COMMENTS	QUESTIONED COSTS

98-20 Section 8 Quality Control

Condition - The Authority only performed 1% of the re-inspection for quality control purposes in 1998. No supporting documentation was given for review.

Criteria - HUD regulations require the Authority to perform re-inspections of a sample of 5% of approved units for quality control purposes, as required by Handbook 7420.7, CHG-3.

Effect - The Authority was not in compliance with the regulation for quality control.

Recommendation - Management should implement procedures to ensure 5% of the units are re-inspected for quality control purposes each year. In addition, the Authority should implement procedures that require maintenance of detail supporting these re-inspections.

98-21 Section 8 Utility Allowances

Condition - The basis for establishing utility allowances has not been updated for the current year.

Criteria - The rent payable by the tenant includes an allowance for any tenant-paid utilities. HUD requires that average utility allowances be adjusted whenever there is an increase of at least 10%. Additionally, housing authority Administrative Order Section 35.04 requires that the basis on which the utility allowances are established be reviewed at least annually.

Effect - The Authority may overcharge its tenants for rent.

Recommendation - Management should review and update its utility allowances annually.

FINDING NO.	INTERNAL CONTROL STRUCTURE AND COMPLIANCE COMMENTS	QUESTIONED COSTS
98-22	**Transitional Housing Activities Allowed and Unallowed**	
	Condition - The Authority was unable to provide supporting documents for two selected expenditures in 1998.	
	Criteria - Federal awards should be expended only for allowable activities.	
	Effect - Improper cash disbursements for unallowed activities may occur and not be detected.	
	Recommendation - The Authority should implement procedures that require maintenance of detailed support for all transactions.	$ 1,643
98-23	**Transitional Housing Matching**	
	Condition - The Authority did not provide matching cash resources to the Transitional Housing Program. Instead, the Authority provided free rental of the building used for the Y-Haven Transitional Housing Facility.	
	Criteria - The non-federal entity must match the grant funds provided by HUD for acquisition, rehabilitation, and new construction with an equal amount of funds from other sources. The matching funds must be cash resources provided to the project by one or more of the following: the non-federal entity, the federal government, state and local governments, and private sources (24 CFR section 583.145).	
	Effect - The Authority did not meet the matching requirements specified in the grant.	
	Recommendation - Management should be aware of any grants that include a matching requirement. Procedures should be established and implemented to ensure that the matching requirement of the grant is met. In addition, the Authority should analyze the impact of the matching requirement on its budget and cash resources.	

FINDING NO.	INTERNAL CONTROL STRUCTURE AND COMPLIANCE COMMENTS	QUESTIONED COSTS

98-24 Transitional Housing Cash Controls

Condition - The Authority did not deposit checks received from the Y-Haven within 24 hours. For example, checks that were dated in January did not get deposited until July. Most checks do not get deposited until several months later and one check was not deposited until almost ten months later.

Criteria - Public money must be deposited with the treasurer of the public office or to a designated depository within 24 hours of collection. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection (Ohio Rev. Code section 9.38).

Effect - The Authority was not in compliance with the Ohio Rev. Code section 9.38. In addition, the practice of holding checks could lead to misplacing checks and the misuse of cash.

Recommendation - The Authority should implement procedures to minimize the time elapsing between the transfer of checks from the grant coordinator to the cashier and the deposit of checks.

98-25 Transitional Housing Program Income

Condition - Program income was not deducted from total program costs.

Criteria - Income from resident rent payment may be used in the operation of the project or may be reserved, in whole or in part, to assist residents of transitional housing in moving to permanent housing (24 CFR section 58.315(b)).

Effect - The Authority was not in compliance with the regulation of the use of program income.

Recommendation - Management should be aware of the regulation of the grants and implement necessary procedures to ensure the program income is used for the activities according to the grant requirements.

FINDING NO.	INTERNAL CONTROL STRUCTURE AND COMPLIANCE COMMENTS	QUESTIONED COSTS

98-26 Transitional Housing Reporting

Condition - The Authority did not file the HUD-40118 form, Grantee Annual Report, each operating year.

Criteria - HUD 40118, Grantee Annual Report, is due from each grantee 60 days after its operating year.

Effect - The Authority was not in compliance with reporting requirements under the grant.

Recommendation - Management should be aware of the reporting requirements of each grant and implement necessary procedures to ensure that reports are filed timely with HUD.

98-27 Transitional Housing Subrecipient Monitoring

Condition - The Authority did not adequately monitor the subrecipients' activities to provide reasonable assurance that subrecipients administered the Y-Haven's grant in compliance with federal requirements.

Criteria - Adequate monitoring should exist to provide reasonable assurance that the subrecipient administer federal awards in compliance with federal requirements.

Effect - Subrecipients could be spending federal awards on unallowable items or not properly administering the grant.

Recommendation - The Authority should establish objectives and plans that ensure that subrecipients administer federal awards in compliance with the grant. In addition, the Authority should schedule a meeting with the subrecipients at least once a year.

FINDING NO.	INTERNAL CONTROL STRUCTURE AND COMPLIANCE COMMENTS	QUESTIONED COSTS

98-28 **COPS Grants Matching Requirements**

Condition - The Authority did not provide any cash resources to satisfy the matching requirements of the COPS grant, which totaled $225,460 for the 3-year grant period.

Criteria - Unless a wavier of the non-federal share is approved, the grant will pay 75% of an officer's entry-level salary and benefits, up to a maximum of $75,000 per officer, over the 3-year period of the grant. The local share must increase each year of the grant. By the end of a 3-year grant period, the department will be wholly responsible for funding the officers hired under the grant. Grant funds are paid out over the entire grant period and not in a lump sum.

Effect - The Authority was not in compliance with the matching requirements of the grant.

Recommendation - Management should be aware of all grant requirements, including matching requirements. In addition, the Authority should analyze the impact of matching requirements on its budgets and cash resources.

98-29 **COPS Grants Eligibility**

Condition - Ten law enforcement officers included in the COPS program were hired before the COPS Grant started on December 1, 1995.

Criteria - The COPS Grant is restricted to the payment of approved salaries and benefits for the hiring or rehiring of additional sworn career law enforcement officers for deployment in community policing.

Effect - The Authority is utilizing COPS Grant funding to pay the salaries and benefits of ineligible officers.

Recommendation - Management should be aware of all requirements of grants and ensure that grant requirements are being met.

CUYAHOGA METROPOLITAN HOUSING AUTHORITY

STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 1998

	Finding	Still Applicable	Comments
97-1)	Control and Financial Reporting Environments	Yes	Still applicable for the current year. See finding #98-1 for current year comment.
97-2)	Compliance With Memorandum of Agreement and Allowable Costs	Yes	Still applicable for the current year. See finding #98-2 for current year comment.
97-3)	Fixed Assets	No	A task force has been formed to complete and establish accurate fixed asset records. All assets are recorded in the CCS system, and work order procedures under this system will be utilized to control movement of assets and facilitate recording of assets.
97-4)	Section 8 Deficit	Yes	Still applicable for the current year. See finding #98-4 for current year comment.
97-5)	Modernization Programs	Yes	Still applicable for the current year. See finding #98-5 for current year comment.
97-6)	Investment in Mutual Fund	No	This investment has been liquidated, and the funds transferred to the Authority's general funds.
97-7)	General Ledger Account Support and Reconciliations	Yes	Still applicable for the current year. See finding #98-6 for current year comment.
97-8)	Oversight of Payroll Personnel	No	The Chief Accountant reviews amounts paid to and accrued for employees in the payroll department for each bi-weekly pay period.
97-9)	Internal Control Over Accounts Payable	Yes	Still applicable for the current year. See finding #98-7 for current year comment.
97-10)	General Ledger Entries	Yes	Still applicable for the current year. See finding #98-8 for current year comment.
97-11)	Family Self Sufficiency	Yes	Still applicable for the current year. See finding #98-10 for current year comment.
97-12)	Title V/New Town - In Town Deficit	Yes	Still applicable for the current year. See the 12/31/97 corrective action plan.

(Continued)

STATUS OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 1998

	Finding	Still Applicable	Comments
97-13)	Self-Insured Workers' Compensation Program	Yes	Still applicable for the current year. See finding #98-9 for current year comment.
97-14)	Section 8 Procedures	Yes	Still applicable for the current year. See finding #98-11 for current year comment.
97-15)	Quality Control Review of Section 8 and Conventional Program Admissions	Yes	Still applicable for the current year. See finding #98-12 for current year comment.
97-16)	Multifamily Tenant Characteristics System Submissions	Yes	Still applicable for the current year. See finding #98-13 for current year comment.
97-17)	Conventional Program Utility Allowances	Yes	Still applicable for the current year. See finding #98-14 for current year comment.
97-18)	Annual Reexaminations of Conventional Tenants	Yes	Still applicable for the current year. See finding #98-15 for current year comment.
97-19)	Construction Delay Log	Yes	Still applicable for the current year. See finding #98-16 for current year comment.
97-20)	Public Housing Management Assessment Program	Yes	Still applicable for the current year. See finding #98-17 for current year comment.
97-21)	Section 8 New Admission	Yes	Still applicable for the current year. See finding #98-18 for current year comment.
97-22)	Section 8 Compliance	Yes	Still applicable for the current year. See finding #98-19 for current year comment.
97-23)	Section 8 Quality Control	Yes	Still applicable for the current year. See finding #98-20 for current year comment.
97-24)	Drug Elimination Program	Yes	Still applicable for the current year. See the 12/31/97 corrective action plan.

(Concluded)

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CUYAHOGA METROPOLITAN HOUSING AUTHORITY
1998

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

By: Susan Babbitt

Date: MARCH 2, 2000