

**SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
SPRINGFIELD, OHIO**

**REPORT ON
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**

Twelve Months ended September 30, 1998

**Jones, Cochenour & Co.
Certified Public Accountants
125 West Mulberry Street
Lancaster, Ohio 43130**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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The Board of Directors
Springfield Metropolitan Housing Authority
Springfield, Ohio

We have reviewed the Independent Auditor's Report of the Springfield Metropolitan Housing Authority, Clark County, prepared by Jones, Cochenour & Co., for the audit period October 1, 1997 through September 30, 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 Springfield Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a horizontal line.

JIM PETRO
Auditor of State

July 26, 2000

**SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
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INDEPENDENT ACCOUNTANTS' REPORT

The Board of Directors
Springfield Metropolitan Housing Authority
Springfield, Ohio

Regional Inspector General for Audit
Department of Housing and Urban
Development

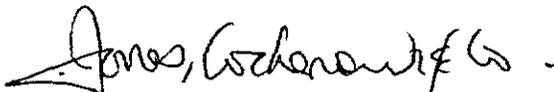
We were engaged to audit the accompanying financial statements of Springfield Metropolitan Housing Authority as of and for the year ended September 30, 1998, as listed in the table of contents. These financial statements are the responsibility of Springfield Metropolitan Housing Authority's management.

Because of inadequacies in the Authority's accounting records supporting the financial activities of Springfield Metropolitan Housing Authority, we were unable to form an opinion on those financial statements.

Since we did not audit the financial statements of Springfield Metropolitan Housing Authority referred to above, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

In accordance with *Government Auditing Standards* and the *PIH Compliance Supplement for Audits of Public Housing Agencies and Indian Housing Authorities* (the "Guide") issued by the Department of Housing and Urban Development, Office of the Inspector General, we were engaged to issue a report on our consideration of Springfield Metropolitan Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the internal control over financial reporting and on the compliance.

We were engaged to audit the financial statements for the purpose of forming an opinion on those statements taken as a whole. The supplemental data listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Springfield Metropolitan Housing Authority. As discussed in the second paragraph above, the scope of our work was not sufficient to enable us to express an opinion on the financial statements. Similarly, we are unable to express, and do not express, an opinion on the accompanying supplemental data.


Jones, Cochenour & Co.
June 15, 2000

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Assets, Liabilities and Surplus
September 30, 1998

Exhibit A-1

	Annual Contribution Contract	
	PH	Section 8
	<u>C-498</u>	<u>C-5032</u>
<u>Assets</u>		
Cash and cash equivalents	\$ (24,451)	\$ 46,073
Accounts receivable - tenants	185,147	187,168
Accounts receivable – interprogram	-	41,863
Accounts receivable – other	1,800	8,524
Debt amortization funds	8,024	-
Deferred charges	45,539	-
Land, structures and equipment	<u>39,233,707</u>	<u>110,447</u>
Total Assets	<u>\$ 39,449,766</u>	<u>\$ 394,075</u>
 <u>Liabilities and Surplus</u>		
Accounts payable	\$ 92,935	\$ -
Accounts payable - HUD	-	111,178
Accounts payable – interprogram	41,863	-
Tenant security deposits	76,410	-
Notes payable	7,912,824	-
Accrued liabilities	293,928	-
Fixed liabilities	<u>4,455,691</u>	<u>-</u>
Total Liabilities	12,873,651	111,178
Surplus - Exhibit D-3	<u>26,576,116</u>	<u>282,897</u>
Total Liabilities and Surplus	<u>\$ 39,449,766</u>	<u>\$ 394,075</u>

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - PHA Owned Housing
Twelve Months Ended September 30, 1998

Exhibit B-1

Annual Contributions Contract C-498

Operating Income

Rental income	\$ 1,300,317
Excess utilities	20,455
Nondwelling rental	3,337
Interest on general fund investments	3,074
Other income	<u>48,393</u>

Total Operating Income - Exhibit E-1 1,375,576

Operating Expenses

Administration	495,526
Tenant services	32,281
Utilities	549,467
Ordinary maintenance and operations	1,127,756
Protective services	3,818
General expenses	<u>512,261</u>

Total Operating Expenses - Exhibit E-1 2,721,109

Net Operating Loss - Exhibit C-1 and Exhibit D-1 \$ (1,345,533)

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses – Drug Elimination Program
Twelve Months Ended September 30, 1998

Exhibit B-2

Annual Contributions Contract C-498

Project OH16 - DEP – 0210197

Grant funds	\$ 32,124
<u>Operating Expenses</u>	
Law enforcement	(18,950)
Drug prevention	<u>(36,124)</u>
Excess (Deficiency) of Funds	<u>\$ (22,950)</u>

Project OH16 – DEP – 0210196

Grant funds received	\$ 159,132
<u>Operating Expenses</u>	
Law enforcement	(79,499)
Tenant patrol	(2,549)
Drug prevention	<u>(43,409)</u>
Excess (Deficiency) of Funds	<u>\$ (33,675)</u>

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - Housing Assistance Payments Program
Twelve Months Ended September 30, 1998

Exhibit B-3

Annual Contributions Contract C-5032

Project OH16 – E021

Operating Income

Interest on operating reserve investments	\$ <u>1,394</u>
Total Operating Income – Exhibit E-4	1,394

Operating Expenses

Administrative expense	289,323
Housing assistance payments	<u>2,010,973</u>
Total Operating Expenses - Exhibit E-4	<u>2,300,296</u>

Net Operating Loss - Exhibit C-1 and D-1	\$ <u>(2,298,902)</u>
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Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - Housing Assistance Payments Program
Twelve Months Ended September 30, 1998

Exhibit B-4

Annual Contributions Contract C-5032

Project OH16 – K021-005

Operating Income

Interest on operating reserve investments \$ _____ -

Total Operating Income – Exhibit E-14 _____ -

Operating Expenses

Administrative expense 4,594

Housing assistance payments _____ 31,974

Total Operating Expenses - Exhibit E-14 _____ 36,568

Net Operating Loss - Exhibit C-1 and D-1 \$ _____ (36,568)

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - Housing Assistance Payments Program
Twelve Months Ended September 30, 1998

Exhibit B-5

Annual Contributions Contract C-5032

Project OH 021 V0

Operating Income

Interest on operating reserve investments	\$ _____ -
Total Operating Income - Exhibit E-16	-

Operating Expenses

Administrative expense	67,426
Housing assistance payments	<u>447,893</u>
Total Operating Expenses - Exhibit E-16	<u>515,319</u>

Net Operating Loss - Exhibit C-1 and D-1	<u>\$ (515,319)</u>
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Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - Housing Assistance Payments Program
Twelve Months Ended September 30, 1998

Exhibit B-6

Annual Contributions Contract C-5032

Project OH16 – O022-143

Operating Income

Interest on operating reserve investments	\$ _____
Total Operating Income – Exhibit E-18	-

Operating Expenses

Administrative expense	6,623
Housing assistance payments	<u>249,880</u>
Total Operating Expenses - Exhibit E-18	<u>256,503</u>

Net Operating Loss - Exhibit C-1 and D-1	<u>\$ (256,503)</u>
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Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Cash Flows
Twelve Months Ended September 30, 1998

Exhibit C-1

	<u>Annual Contribution Contract</u>	
	<u>C-498</u>	<u>C-5032</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Operating Loss - Exhibit B-1, B-3 - B-6	\$ (1,345,333)	\$ (3,107,292)
Prior period adjustment	(33,412)	-
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(35,824)	92,632
Deferred charges	97,465	-
Debt amortization	(2,387)	-
Increase (decrease) in:		
Accounts payable	(165,416)	(89,590)
Accrued expenses	-	-
Deferred credits	-	-
NET CASH USED IN OPERATING ACTIVITIES	(1,484,907)	(3,104,250)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Project costs	(397,015)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
HUD grant funds received	561,772	-
Operating subsidy	1,178,465	3,113,759
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,740,237	3,113,759
TOTAL NET CASH USED	(141,685)	(9,509)
CASH AT BEGINNING OF YEAR	117,234	36,564
CASH AT END OF YEAR - EXHIBIT A-1	\$ (24,451)	\$ 46,073

Springfield Metropolitan Housing Authority
Springfield, Ohio
Analysis of Surplus
Twelve Months Ended September 30, 1998

	Exhibit D-1 Annual Contribution Contract	
	C-498	C-5032
<u>Unreserved Surplus</u>		
Balance at September 30, 1997	\$ (24,770,345)	\$ (40,008,383)
Net loss for year ended September 30, 1998		
PHA Owned Housing - Exhibit B-1	(1,345,533)	
Housing Assistance Payment Program		
Exhibit B-3		(2,298,902)
Exhibit B-4		(36,568)
Exhibit B-5		(515,319)
Exhibit B-6		(256,503)
(Provision for) reduction of operating reserve		
PHA Owned Housing - Exhibit E-1	133,656	
Housing Assistance Payment Program		
Exhibit E-4		(23,400)
Exhibit E-6		2,276
Exhibit E-8		15,208
Exhibit E-10		(551)
(Provision for) reduction of project amount unfunded		
Housing Assistance Payment Program		
Exhibit E-3		(761,428)
Exhibit E-5		11,342
Exhibit E-7		(43,898)
Exhibit E-9		(60,559)
Prior period adjustment not affecting residual receipts for grant activities	(33,412)	
Unfound Variances	(40,727)	-
Balance at September 30, 1998	(26,056,361)	(43,976,685)

Springfield Metropolitan Housing Authority
Springfield, Ohio
Analysis of Surplus
Twelve Months Ended September 30, 1998

Exhibit D-2
Annual Contribution Contract

	C-498	C-5032
<u>Reserved Surplus - Operating Reserve Housing Assistance Payment Program</u>		
Balance at September 30, 1997	138,960	
Provision for (reduction of) operating reserve - Exhibit E-1	(133,656)	
Balance at September 30, 1998	5,304	
<u>Reserved surplus - Operating Reserve Housing Assistance Payments Program and PHA Leased Housing/PH DEP</u>		
Balance per prior audit at September 30, 1997		39,870
Provision for (reduction of) operating reserve Housing Assistance Payment Program		
Exhibit E-4		23,400
Exhibit E-6		(2,276)
Exhibit E-8		(15,208)
Exhibit E-10		551
Balance at September 30, 1998		46,337
<u>Housing Assistance Payment Program - Project Account - Unfunded</u>		
Balance at September 30, 1997		2,403,897
Provision for (reduction of) project amount Housing Assistance Payment Program		
Exhibit E-3		761,428
Exhibit E-5		(11,342)
Exhibit E-7		43,898
Exhibit E-9		60,559
Balance at September 30, 1998		3,258,440

Springfield Metropolitan Housing Authority
Springfield, Ohio
Analysis of Surplus
Twelve Months Ended September 30, 1998

Exhibit D-3

	Annual Contribution Contract	C-498	C-5032
<u>Cumulative HUD Contributions</u>			
Balance at September 30, 1997		36,886,457	37,841,046
Operating subsidies			
PHA Owned Housing - Exhibit E-1		1,178,465	
Housing Assistance Payment Program			
Exhibit E-4			2,322,302
Exhibit E-6			34,292
Exhibit E-8			500,111
Exhibit E-10			257,054
FFB Note		562,913	
Balance at September 30, 1998		38,627,835	40,954,805
<u>Cumulative Grants</u>			
Balance per prior audit at September 30, 1997		13,612,508	
Cumulative HUD grants: Comprehensive Grants		370,516	
Balance at September 30, 1998		13,983,024	
<u>Donations</u>			
Balance at September 30, 1998		16,314	
Total Surplus at September 30, 1998 - Exhibit A-1		\$ 26,576,116	\$ 282,897

Springfield Metropolitan Housing Authority
Springfield, Ohio
Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Concentration of Credit Risk

The Springfield Metropolitan Housing Authority (the "Authority") was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Authority depends on the subsidies from HUD in order to operate the Authority.

Method of Accounting

The Authority's policy is to maintain its accounting records on the basis of accounting practices prescribed by the Department of Housing and Urban Development. The Authority does not depreciate its structures and equipment. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in conformity with generally accepted accounting principles.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Accounts Receivable

Accounts receivable are shown at their net realizable value. The direct write-off method is used to record bad debt. Bad debt expense for the year ended September 30, 1998, amounted to \$-0-.

Land, Structures and Equipment

Land, structures and equipment are recorded at cost. No depreciation is provided according to HUD accounting practices.

Provision for Federal Income Taxes

The Authority was incorporated as a political subdivision of the State of Ohio and is therefore exempt from federal income taxes.

Budgetary Accounting

The Authority annually prepares budgets for the Section 8 and Public Housing Programs as prescribed by the Department of Housing and Urban Development. These budgets are submitted to the Department of Housing and Urban Development and once approved is adopted by the Board of the Housing Authority.

Financial Statement Format and Content

The format and content of the financial statements included in this report conform to the format and content of the annual report forms submitted to HUD.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Springfield Metropolitan Housing Authority
Springfield, Ohio
Notes to Financial Statements - Continued

2. **FIXED LIABILITIES**

Notes Payable - HUD

As a result of the "Forgiveness" legislation, Public Law 99-272, HUD no longer applies annual contributions on HUD held notes, and provides that HUD will forgive all HUD notes which were held to be repaid using fixed annual contributions. HUD will also forgive the accrued interest on these notes. The forgiven debt will be treated as HUD contributions on the Authority's books. The Authority will reduce this contribution by the amount that it has booked as contributions due from HUD but not received.

As of September 30, 1998, the Authority had not received final approval to reclassify the forgiven debt. The unforgiven balances at September 30, 1997, are \$7,912,824 notes payable and \$293,928 accrued interest.

Fixed Liabilities

All notes and bonds payable are guaranteed by HUD and collateralized by real and personal property acquired in connection with the project for which it was obtained. Housing Authority bonds are issued by the Department of Housing and Urban Development. A fixed annual contribution is paid by HUD for principal and interest on this debt. The balance at September 30, 1998 was \$4,455,691. The following is a 5-year maturity schedule:

1999	334,000
2000	361,000
2001	367,500
2002	375,000
2003	380,000
2004 and thereafter	<u>2,638,191</u>
TOTAL	<u>\$ 4,455,691</u>

3. **CASH AND INVESTMENTS**

HUD Handbook 7475.1 Chapter 4, Section 1 authorizes the PHA to make investments in:

- Direct Obligations of the Federal Government;
- Obligations of Federal Government Agencies;
- Securities of Government-Sponsored Agencies; and
- Demand and Savings Deposits and Certificates of Deposit.

The carrying amount of Springfield Metropolitan Housing Authority's deposits, totaled \$21,622. The corresponding bank balances totaled \$101,966. The Authority has a petty cash of \$200.

	<u>Key Bank</u>	<u>Security National</u>
Amount insured by the FDIC	\$ 87,635	\$ 14,331
Collateralized (including bank balance that is collateralized with securities held by the pledging financial institution's trust department in the name of Springfield Metropolitan Housing Authority)	-	-
Total bank balance	<u>\$ 87,635</u>	<u>\$ 14,331</u>

Springfield Metropolitan Housing Authority
Springfield, Ohio
Notes to Financial Statements - Continued

4. PUBLIC EMPLOYEES RETIREMENT SYSTEM PENSION PLAN

Substantially all employees of the Authority are members of the Public Employees Retirement System (PERS) of the State of Ohio. Each eligible employee contributes a percentage of their gross salary to PERS through payroll deductions. Additionally, the Authority pays a percentage of gross payroll to PERS. As of September 30, 1998, the rates were 8.5% and 13.55%, respectively. The Authority's contribution amounted to \$263,849, \$237,045 and \$213,855 for the years ended September 30, 1998, 1997 and 1996, respectively.

The PERS does not maintain any breakdown of plan assets or unfunded past service liabilities for individual employees, therefore, additional disclosures regarding the Plan cannot be made.

5. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 1998, the Authority was a member of the State Housing Authority Risk Pool Association, Inc. (SHARP), an insurance pool for housing authorities in Ohio. Vehicle liability insurance does not carry a deductible. Property insurance carries a \$1,000 deductible. There is no deductible for general liability insurance.

6. NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

The accompanying schedule of federal awards expenditures is a summary of the activity of the Authority's federal award programs. The schedule has been prepared on the cash basis of accounting.

7. SUBSEQUENT EVENTS

A. The development project 21-14 was originally cost certified in the September 30, 1995 audit. HUD did not sign off on the cost certificate and it was subsequently determined that this project is not closed and there are additional funds to be requisitioned.

B. Pending or threatened litigation:

Dorwilda R. Willis vs. Harold T. Riedel, Jr., Executive Director – Pending employment discrimination and breach of contract case. The outcome is uncertain.

NAACP, Arnette Hardnick vs. Harold T. Riedel, Jr., Executive Director – Pending civil RICO case filed by the NAACP and residents of the Company's housing units as co-plaintiffs. The outcome is uncertain.

Richard L. Wright vs. Springfield Metropolitan Housing Authority – Pending employment discrimination case which arose out of the termination of the finance director on December 18, 1997. The outcome is uncertain.

Walter W. Wilson vs. Springfield Metropolitan Housing Authority – Pending civil rights charge filed by a former employee. The outcome is uncertain.

Springfield Metropolitan Housing Authority
 Springfield, Ohio
Computation of Residual Receipts and Accruing Annual Contributions -
PHA Owned Housing
 Twelve Months Ended September 30, 1998

Exhibit E-1

Annual Contribution Contract

Computation of Residual Receipts

Operating Receipts

Public
Housing

Operating Income - Exhibit B-1	\$ 1,375,576
HUD Operating Subsidy - Exhibit D-3	<u>1,178,465</u>

Total Operating Receipts	2,554,041
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Prior period adjustments affecting residual receipts	33,412
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Operating Expenditures

Operating Expenses - Exhibit B-1	2,721,109
Capital Expenses	<u>-</u>

Total Operating Expenditures	<u>2,721,109</u>
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Residual Receipts per Audit	(133,656)
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Provision for (reduction of) operating reserve - Exhibit D-1 & D-2	<u>(133,656)</u>
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Residual Receipts per PHA	<u>\$ -</u>
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Springfield Metropolitan Housing Authority
 Springfield, Ohio
Year to Date Grant Activity
 Twelve Months Ended September 30, 1998

Exhibit E-2

	<u>OH-16-DEP-0210196</u>	<u>OH-16-DEP-0210197</u>
Grant funds received and receivable	\$ 265,800	\$ 55,074
Operating expenses	<u>262,508</u>	<u>55,074</u>
Excess (deficiency) of funds	3,292	-
Beginning excess (deficiency) of funds	(33,675)	-
Grant funds received	159,132	32,124
Grant funds expended	<u>(125,457)</u>	<u>55,074</u>
Excess (deficiency) of funds	<u>\$ -</u>	<u>\$ (22,950)</u>

Springfield Metropolitan Housing Authority
Springfield, Ohio
Computation of Annual Contributions Earned and Project Account -
Operating Reserve Changes - Housing Assistance Payments Program
Twelve Months Ended September 30, 1998

Exhibit E-3

<u>Project OH-021-CE</u>	<u>Annual Contribution Contract C-5032</u>	
<u>Maximum Contribution Available</u>		
Maximum annual contribution authorized	\$ 3,083,730	
Pro rata maximum annual contribution applicable to a period of less than twelve months	-	
Maximum contribution for period	<u>3,083,730</u>	\$ 3,083,730
Project account balance at beginning of fiscal year	<u>330,604</u>	
Total contributions available	3,414,334	
<u>Annual Contribution Required</u>		
Administrative fee	284,215	
Housing assistance payments	2,010,973	
Actual FSS wages and fringe benefits	3,060	
Hard-to-house fee	<u>24,054</u>	
Total funds required	2,322,302	
Project receipts other than annual contribution	<u>-</u>	
Total annual contribution required - Exhibit E-4 and D-3	<u>2,322,302</u>	<u>2,322,302</u>
<u>Project Account Change</u>		
Provision for (reduction of) project account - Exhibits D-1 and D-2		<u>\$ 761,428</u>
Project account balance end of year	<u>\$ 1,092,032</u>	
<u>Annual Contribution Earned</u>		
Lesser of contributions available or contribution required	<u>\$ 2,322,302</u>	

Springfield Metropolitan Housing Authority
Springfield, Ohio
Computation of Annual Contributions Earned and Project Account -
Operating Reserve Changes - Housing Assistance Payments Program
Twelve Months Ended September 30, 1998

Exhibit E-4

Annual Contribution Contract C-5032

Operating Reserve Change

Operating income - Exhibit B-3	\$ 1,394
Annual contribution earned - Exhibits E-3 & D-3	<u>2,322,302</u>
Total operating receipts	2,323,696

Operating Expenditures

Operating expenses - Exhibit B-3	<u>2,300,296</u>
Net operating receipts available per audit	<u>\$ 23,400</u>
Provision for (reduction of) operating reserves Exhibits D-1 and D-2	<u>\$ 23,400</u>

Springfield Metropolitan Housing Authority
 Springfield, Ohio
Computation of Annual Contributions Earned and Project Account -
 Operating Reserve Changes - Housing Assistance Payments Program
 Twelve Months Ended September 30, 1998

Exhibit E-5

Annual Contribution Contract C-5032

Project OH16-K021-005

Maximum Contribution Available

Maximum annual contribution authorized	\$	22,950	
Pro rata maximum annual contribution applicable to a period of less than twelve months		-	
Maximum contribution for period		22,950	\$ 22,950
Project account balance at beginning of year		443,961	
Total annual contribution available		466,911	

Annual Contribution Required

Administrative fee		4,433	
Housing assistance payments		31,974	
Ongoing fee reduction		(2,115)	
Total funds required		34,292	
Project receipts other than annual contributions		-	
Total annual contributions required - Exhibit E-6		34,292	34,292

Project Account Change

Provision for (reduction of) project account - Exhibits D-1 and D-2			\$ (11,342)
Project account balance end of year	\$	432,619	

Annual Contribution Earned

Lesser of contribution available or contribution required	\$	34,292	
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Springfield Metropolitan Housing Authority
Springfield, Ohio
Computation of Annual Contributions Earned and Project Account -
Operating Reserve Changes - Housing Assistance Payments Program
Twelve Months Ended September 30, 1998

Exhibit E-6

Annual Contribution Contract C-5032

Operating Reserve Change

Operating income - Exhibit B-4	\$ -
Annual contribution earned - Exhibits E-5 & D-3	<u>34,292</u>
Total operating receipts	34,292
 <u>Operating Expenditures</u>	
Operating expenses - Exhibit B-4	<u>36,568</u>
Net operating receipts available per audit	<u>\$ (2,276)</u>
Provision for (reduction of) operating reserves Exhibits D-1 and D-2	<u>\$ (2,276)</u>

Springfield Metropolitan Housing Authority
 Springfield, Ohio
Computation of Annual Contributions Earned and Project Account -
Operating Reserve Changes - Housing Assistance Payments Program
 Twelve Months Ended September 30, 1998

Exhibit E-7

Annual Contribution Contract C-5032

Project OH 021 VO

Maximum Contribution Available

Maximum annual contribution authorized	\$	544,009	
Pro rata maximum annual contribution applicable to a period of less than twelve months		-	
Maximum contribution for period		544,009	\$ 544,009

Project account balance at beginning of year		346,768	
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Total annual contribution available		890,777	
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Annual Contribution Required

Administrative fee		51,993	
Housing assistance payments		447,893	
Hard-to-house fees		225	

Total funds required		500,111	
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Project receipts other than annual contribution		-	
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Total annual contributions required – Exhibit E-8		500,111	500,111
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Project Account Change

Provision (reduction of) for project account – Exhibits D-1 and D-2			\$ 43,898
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Project account balance end of year	\$	390,666	
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Annual Contribution Earned

Lesser of contribution available or contribution required	\$	500,111	
--	----	---------	--

Springfield Metropolitan Housing Authority
Springfield, Ohio
Computation of Annual Contributions Earned and Project Account -
Operating Reserve Changes - Housing Assistance Payments Program
Twelve Months Ended September 30, 1998

Exhibit E-8

Annual Contribution Contract C-5032

Operating Reserve Change

Operating income - Exhibit B-5	\$ -
Annual contribution earned - Exhibits E-7 & D-3	<u>500,111</u>
Total operating receipts	500,111

Operating Expenditures

Operating expenses - Exhibit B-5	<u>515,319</u>
Net operating receipts available per audit	\$ <u>(15,208)</u>
Provision for (reduction of) operating reserves Exhibits D-1 and D-2	\$ <u>(15,208)</u>

Springfield Metropolitan Housing Authority
 Springfield, Ohio
Computation of Annual Contributions Earned and Project Account -
 Operating Reserve Changes - Housing Assistance Payments Program
 Twelve Months Ended September 30, 1998

Exhibit E-9

Annual Contribution Contract C-5032

Project OH16-O022-143

Maximum Contribution Available

Maximum annual contribution authorized	\$	317,613	
Pro rata maximum annual contribution applicable to a period of less than twelve months		-	
Maximum contribution for period		317,613	\$ 317,613
Project account balance at beginning of year		192,307	
Total annual contribution available		509,920	

Annual Contribution Required

Administrative fee		7,174	
Housing assistance payments		249,880	
Total funds required		257,054	
Project receipts other than annual contribution		-	
Total annual contribution required – Exhibit E-10		257,054	257,054

Project Account Change

Provision for (reduction of) project account – Exhibits D-1 and D-2			\$ 60,559
Project account balance end of year	\$	252,866	

Annual Contribution Earned

Lesser of contribution available or contribution required	\$	252,866	
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Springfield Metropolitan Housing Authority
Springfield, Ohio
Computation of Annual Contributions Earned and Project Account -
Operating Reserve Changes - Housing Assistance Payments Program
Twelve Months Ended September 30, 1998

Exhibit E-10

Annual Contribution Contract C-5032

Operating Reserve Change

Operating income - Exhibit B-6	\$ -
Annual contribution earned - Exhibits E-9 & D-3	<u>257,054</u>
Total operating receipts	257,054

Operating Expenditures

Operating expenses - Exhibit B-6	<u>256,503</u>
Net operating receipts available per audit	\$ <u>551</u>
Provision for (reduction of) operating reserves Exhibits D-1 and D-2	\$ <u>551</u>

Springfield Metropolitan Housing Authority
 Springfield, Ohio
Reconciliation of Comprehensive Grant Costs with Funds Advanced
 September 30, 1998

Exhibit F

	<u>OH16P021701</u>	<u>OH16P021702</u>	<u>OH16P021703</u>	<u>OH16P021704</u>	<u>OH16P021705</u>	<u>OH16P021706</u>
Funds approved	\$ 1,097,094	\$ 1,192,878	\$ 1,110,548	\$ 1,055,351	\$ 932,550	\$ 925,792
Funds expended	<u>1,097,094</u>	<u>1,192,878</u>	<u>1,110,548</u>	<u>1,055,351</u>	<u>893,577</u>	<u>144,471</u>
Excess of (deficiency of) funds approved	\$ -	\$ -	\$ -	\$ -	\$ 38,973	\$ 781,321
Funds advanced	\$ 1,097,094	\$ 1,192,878	\$ 1,110,548	\$ 1,055,351,	\$ 893,577	\$ 114,774
Funds expended	<u>1,097,094</u>	<u>1,192,878</u>	<u>1,110,548</u>	<u>1,055,351</u>	<u>893,577</u>	<u>144,471</u>
Excess of (deficiency of) funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (29,697)

Springfield Metropolitan Housing Authority
Springfield, Ohio
Schedule of Federal Financial Awards Expenditures
Twelve Months Ended September 30, 1998

	<u>FEDERAL CFDA NUMBER</u>	<u>FUNDS EXPENDED</u>
<u>FROM U.S. DEPARTMENT OF HUD</u>		
<u>DIRECT PROGRAMS</u>		
Annual Contribution Contract C-498		
PHA Owned Housing:		
Public and Indian Housing	14.850	\$ 1,178,465
Public and Indian Housing Comprehensive Grant	14.859	400,214
Public and Indian Housing Drug Elimination Program	14.854	<u>180,531</u>
		1,759,210
Annual Contribution Contract C-5032		
Housing Assistance Payments:		
Annual Contribution -		
Section 8 Rental Certificate Program	14.857	2,322,302
Section 8 Rental Voucher Program	14.855	<u>500,111</u>
Total Tenant Based Cluster		<u>2,822,413</u>
Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation	14.856	34,292
Section 8 New Construction and Substantial Rehabilitation	14.182	<u>257,054</u>
Total Project Based Cluster		<u>291,346</u>
Total - All Programs		<u>\$ 4,872,969</u>



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN ENGAGEMENT TO AUDIT FINANCIAL STATEMENTS TO BE PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS AND PIH COMPLIANCE SUPPLEMENT***

The Board of Directors
Springfield Metropolitan Housing Authority
Springfield, Ohio

Regional Inspector General for Audit
Department of Housing and Urban Development

We were engaged to audit the financial statements of Springfield Metropolitan Housing Authority as of and for the year ended September 30, 1998. The scope of our work was not sufficient for us to express, and we did not express, an opinion on these financial statements.

Compliance

We were engaged to perform tests of the Authority's 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 engagement and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance which are described in the accompanying schedule of findings and questioned costs as items 1998-3690-001 through 1998-3690-008.

Internal Control Over Financial Reporting

In planning and performing our procedures relating to our engagement for the Authority's financial statements as of and for the year ended September 30, 1998, we considered Springfield Metropolitan Housing Authority's internal control over financial reporting in order to determine our engagement procedures for the purpose of expressing an 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 operation of the internal control over financial reporting that, in our judgment, could adversely affect Springfield Metropolitan Housing Authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 1998-3690-009 and 1998-3690-010.

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. We believe that the reportable condition 1998-3690-009 described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of Springfield Metropolitan Housing Authority in a separate letter dated June 15, 2000.

This report is intended solely for the information and use of the board of directors, management, Auditor of State and federal awarding agencies and is not intended to be used and should not be used by anyone other than these specified parties.

Jones, Cochenour & Co.

Jones, Cochenour & Co.

June 15, 2000



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 AND PIH COMPLIANCE SUPPLEMENT**

The Board of Directors
Springfield Metropolitan Housing Authority
Springfield, Ohio

Regional Inspector General for Audit
Department of Housing and Urban Development

Compliance

We have audited the compliance of Springfield Metropolitan Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* and the *PIH Compliance Supplement for Audits of Public Housing Agencies and Indian Housing Authorities* (the "Guide") that are applicable to each of its major federal programs for the year ended September 30, 1998. Springfield Metropolitan Housing Authority's major federal programs are identified in the summary of auditors' 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 Springfield Metropolitan Housing Authority's management. Our responsibility is to express an opinion on Springfield Metropolitan Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the *Guide* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Guide*. Those standards, OMB Circular A-133 and the *Guide* 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 Springfield Metropolitan Housing 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 Springfield Metropolitan Housing Authority's compliance with those requirements.

In our opinion, Springfield Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 1998.

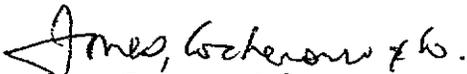
Internal Control Over Compliance

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 engagement of compliance, 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 Springfield Metropolitan Housing Authority's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 1998-3690-008 through 1998-3690-010.

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 we were engaged to audit 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 that are also considered to be material weaknesses. We believe that the reportable conditions 1998-3690-008 and 1998-3690-009 are material weaknesses.

This report is intended solely for the information and use of the board of directors, management, Auditor of State and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.


Jones, Cochenour & Co.
June 15, 2000

Springfield Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505

September 30, 1998

1. SUMMARY OF ENGAGEMENT RESULTS

Type of Financial Statement Opinion	Disclaimed Opinion
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
Were there any material internal control weakness conditions reported for major federal programs?	Yes
Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	Yes
Major Programs (list):	Housing Assistance Payments Cluster: CFDA #14.857 and 14.855
Dollar Threshold: Type A/B Programs	Type A: \$300,000 Type B: All others
Low Risk Auditee?	No

Springfield Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505 - Continued

September 30, 1998

2. FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – DISCLAIMED OPINION
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Finding Number	1998-3690-001
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The year end HUD forms are all required according to HUD handbook 7475.1 Rev., Chapter 6, to be filed within 45 days of the fiscal year end. These forms were filed late for both Public Housing and the Housing Assistance Payment program. It is recommended that the PHA make the necessary arrangements for timely filing of these reports in the future.

Finding Number	1998-3690-002
----------------	---------------

The Authority has not followed its investment policy regarding the investment of excess funds. Chapter 4, Section 1, of the Low-Rent Housing Financial Management Handbook (7475.1) requires that the PHA establish an investment plan, make projected estimates of the amounts available for investment, and invest such funds as to insure the maximum return available. We recommend that the Authority follow the established investment policy in investing the excess funds through the fiscal year. The Authority should also document quarterly, as required, its funds available for investing.

Finding Number	1998-3690-003
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The Authority has not properly followed the ACC in requisitioning and disbursing funds for its Comprehensive Grant Programs. The Authority has disbursed operating funds for grant expenditures incurred and at times failed to timely requisition the funds from the HUD operated LOCCS system to replenish the Authority's general fund accounts. We recommend that the Authority follow the proper procedures, per it's ACC, in requisitioning, disbursing and allocating costs in operating the Comprehensive Grant Programs.

Finding Number	1998-3690-004
----------------	---------------

For fixed assets PHA's are required to maintain a Property Ledger as a subsidiary to the control account in the General Ledger. At least once a year the PHA is required to take a physical inventory of the equipment and reconcile it to the equipment records. There was no documentation of the physical inventory or a property ledger provided during the audit. We recommend that a property ledger be prepared and an annual inventory be taken.

Finding Number	1998-3690-005
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The Comprehensive Grant Programs could not be tested for compliance under Chapter 2 of the PIH Compliance Supplement for Audits of Public Housing Agencies and Indian Housing Authorities. The records for that grant program were not in order and not all items could be explained or located. It is recommended that the Authority reconstruct the records and maintain the files in an orderly manner. It is noted during our fieldwork that the Authority has outside consultants working on this matter.

Springfield Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505 - Continued

September 30, 1998

**2. FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE
WITH GAGAS – DISCLAIMED OPINION – CONTINUED**

Finding Number

1998-3690-006

The Authority did not deposit the FSS account funds into a separate depository account and did not credit investment interest to each participating family's FSS account balance. The FSS activity was not recorded on the general ledger of the authority. It is recommended that a depository account is opened to deposit the FSS funds into and a proper accounting of the transactions be recorded on the general ledger. We could not test FSS due to no schedule available to review.

Finding Number

1998-3690-007

The HUD form 52723 (Performance Funding System) was prepared incorrectly, the numbers submitted were not reasonable. We could not test this form.

The HUD form 50072 (Public Housing Assessment Program) was prepared incorrectly, the numbers submitted were not reasonable. We could not test this form.

Finding Number

1998-3690-008

REPORTABLE CONDITION – MATERIAL WEAKNESS – EXPENDITURES

During cash disbursement testing it was noted that supporting documentation (invoices) were not always maintained. This could lead to improper payments for Authority obligations. We recommend supporting documentation be attached to the voucher and filed in a manner approved by the board.

Finding Number

1998-3690-009

REPORTABLE CONDITION – MATERIAL WEAKNESS – CHECK SIGNATURES

The Authority imprints the signatures of the check signers on the checks. The checks are not reviewed by the signers after they have been imprinted. The custody of checks after signature and before mailing is not handled by someone independent of all payable, disbursing, cash receiving and general ledger functions. We recommend that the checks are reviewed and stuffed in the envelopes and sent by someone other than the preparer.

Finding Number

1998-3690-010

REPORTABLE CONDITION – COMPUTER CONTROLS

There is a lack of physical controls to restrict access to the computer room to authorized personnel. There are not adequate controls in the computer in house system. Passwords are used, but not out of others reach to retrieve those passwords. We recommend that policy and procedures be implemented to maintain controls in the computer area.

**Springfield Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505 - Continued**

September 30, 1998

3. FINDINGS RELATED TO FEDERAL AWARDS	
Finding Number	

See (GAGAS) findings 1998-3690-008 through 1998-3690-010 above; these findings are also required to be reported in accordance with federal awards.

**Springfield Metropolitan Housing Authority
Schedule of Prior Audit Findings and Questioned Costs
OMB Circular A-133§.315(b)**

September 30, 1998

Finding Summary	Status
Finding Number 1997-3690-001	Not Corrected
Finding Number 1997-3690-002	Not Corrected
Finding Number 1997-3690-003	Not Corrected
Finding Number 1997-3690-004	Not Corrected
Finding Number 1997-3690-005	Not Corrected
Finding Number 1997-3690-006	Not Corrected
Finding Number 1997-3690-007	Partially Corrected
Finding Number 1997-3690-008	Not Corrected
Finding Number 1997-3690-009	Not Corrected
Finding Number 1997-3690-010	Not Corrected
Finding Number 1997-3690-011	Not Corrected

**SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
SEPTEMBER 30, 1998**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315 (C)**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact
1998-3690-008	New Finance Director re-wrote Requisition and Purchasing Procedures.	11/30/99	Denese Benn
1998-3690-009	New Finance Director and Executive Director discussed with Board.	11/20/99	Denese Benn Mark Stephenson
1998-3690-010	New Finance Director will formalize with new computer system.	4/30/00	Denese Benn

Springfield Metropolitan Housing Authority
Activities of the PHA
September 30, 1998

The PHA had 1,885 units in management.

<u>Management</u>	<u>Units</u>
PHA Owned Housing	892
Section 8	
Existing	700
Mod Rehab	182
New Construction	32
Voucher	<u>128</u>
Total	<u>1,934</u>



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OFFICE OF THE AUDITOR

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SPRINGFIELD METROPOLITAN HOUSING AUTHORITY

CLARK 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.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 14, 2000**