



**SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
SPRINGFIELD, OHIO**

**REPORT ON
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**

Twelve Months ended September 30, 1996

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

**SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
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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, 1995 through September 30, 1996. 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

March 24, 2000



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, 1996, 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 have issued a report dated September 20, 1999 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.

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.
September 20, 1999

Springfield Metropolitan Housing Authority
 Springfield, Ohio
Statement of Assets, Liabilities and Surplus
 September 30, 1996

Exhibit A-1

	Annual Contribution Contract	
	PH C-498	Section 8 C-5032
<u>Assets</u>		
Cash and cash equivalents	\$ 205,681	\$ 78,747
Accounts receivable - tenants	56,059	-
Accounts receivable - HUD	-	217,187
Accounts receivable - other	5,604	-
Debt amortization funds	5,243	-
Deferred charges	130,743	-
Land, structures and equipment	38,162,173	110,447
Total Assets	\$ 38,565,503	\$ 406,381
 <u>Liabilities and Surplus</u>		
Accounts payable	\$ 8,765	\$ -
Accounts payable - HUD	-	79,471
Tenant security deposits	88,729	-
Notes payable	7,912,824	-
Accrued liabilities	300,407	-
Deferred credits	14,133	-
Fixed liabilities	5,092,648	-
Total Liabilities	13,417,506	79,471
Surplus - Exhibit D-3	25,147,997	326,910
Total Liabilities and Surplus	\$ 38,565,503	\$ 406,381

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - PHA Owned Housing
Twelve Months Ended September 30, 1996

Exhibit B-1

Annual Contributions Contract C-498

<u>Operating Income</u>	
Rental income	\$ 1,339,861
Excess utilities	15,966
Nondwelling rental	235
Interest on general fund investments	6,130
Other income	<u>32,079</u>
 Total Operating Income - Exhibit E-1	 1,394,271
 <u>Operating Expenses</u>	
Administration	567,563
Tenant services	44,179
Utilities	559,761
Ordinary maintenance and operations	776,698
Protective services	24,574
General expenses	<u>605,384</u>
 Total Operating Expenses - Exhibit E-1	 <u>2,578,159</u>
 Net Operating Loss - Exhibit C-1 and Exhibit D-1	 <u>\$ (1,183,888)</u>

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - Drug Elimination Program
Twelve Months Ended September 30, 1996

Exhibit B-2

Annual Contributions Contract C-498

Project OH16 - DEP - 0210194

Grant funds received	\$ 199,219
<u>Operating Expenses</u>	
Protective services	<u>173,321</u>
Excess (Deficiency) of Funds	<u>\$ 25,898</u>

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - Housing Assistance Payments Program
Twelve Months Ended September 30, 1996

Exhibit B-3

Annual Contributions Contract C-5032

Project OH16 - E021-003/022

Operating Income

Interest on operating reserve investments \$ 293

Total Operating Income - Exhibit E-4 293

Operating Expenses

Preliminary expense 4,080

Administrative expense 282,001

Housing assistance payments 1,949,605

Audit costs 1,940

Total Operating Expenses - Exhibit E-4 2,237,626

Net Operating Loss - Exhibit C-1 and D-1 \$ (2,237,333)

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - Housing Assistance Payments Program
Twelve Months Ended September 30, 1996

Exhibit B-4

Annual Contributions Contract C-5032

Project OH16 - K021-001

Operating Income

Interest on operating reserve investments \$ 110

Total Operating Income - Exhibit E-6 110

Operating Expenses

Administrative expense 10,770

Housing assistance payments 59,249

Total Operating Expenses - Exhibit E-6 70,019

Net Operating Loss - Exhibit C-1 and D-1 \$ (69,909)

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - Housing Assistance Payments Program
Twelve Months Ended September 30, 1996

Exhibit B-5

Annual Contributions Contract C-5032

Project OH16 - K021-002

Operating Income

Interest on operating reserve investments \$ 156

Total Operating Income - Exhibit E-8 156

Operating Expenses

Administrative expense 22,437

Housing assistance payments 134,298

Total Operating Expenses - Exhibit E-8 156,735

Net Operating Loss - Exhibit C-1 and D-1 \$ (156,579)

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - Housing Assistance Payments Program
Twelve Months Ended September 30, 1996

Exhibit B-6

Annual Contributions Contract C-5032

Project OH16 - K021-003

Operating Income

Interest on operating reserve investment \$ 119

Total Operating Income - Exhibit E-10 119

Operating Expenses

Administrative expense 17,932

Housing assistance payments 112,428

Total Operating Expenses - Exhibit E-10 130,360

Net Operating Loss - Exhibit C-1 and D-1 \$ (130,241)

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - Housing Assistance Payments Program
Twelve Months Ended September 30, 1996

Exhibit B-7

Annual Contributions Contract C-5032

Project OH16 - K021-004

Operating Income

Interest on operating reserve investments \$ - - - 110

Total Operating Income - Exhibit E-12 110

Operating Expenses

Administrative expense 17,512

Housing assistance payments 110,597

Total Operating Expenses - Exhibit E-12 128,109

Net Operating Loss - Exhibit C-1 and D-1 \$ (127,999)

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - Housing Assistance Payments Program
Twelve Months Ended September 30, 1996

Exhibit B-8

Annual Contributions Contract C-5032

Project OH16 - K021-005

Operating Income

Interest on operating reserve investments \$ 27

Total Operating Income - Exhibit E-14 27

Operating Expenses

Administrative expense 10,776

Housing assistance payments 60,449

Total Operating Expenses - Exhibit E-14 71,225

Net Operating Loss - Exhibit C-1 and D-1 \$ (71,198)

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - Housing Assistance Payments Program
Twelve Months Ended September 30, 1996

Exhibit B-9

Annual Contributions Contract C-5032

Project OH16 - V021-007/015

Operating Income

Interest on operating reserve investments \$ 92

Total Operating Income - Exhibit E-16 92

Operating Expenses

Preliminary expense 1,920

Administrative expense 52,630

Housing assistance payments 442,282

Total Operating Expenses - Exhibit E-16 496,832

Net Operating Loss - Exhibit C-1 and D-1 \$ (496,740)

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - Housing Assistance Payments Program
Twelve Months Ended September 30, 1996

Exhibit B-10

Annual Contributions Contract C-5032

Project OH16 - 0022-143

Operating Income

Interest on operating reserve investments	\$ 9
Total Operating Income - Exhibit E-18	9

Operating Expenses

Administrative expense	6,893
Housing assistance payments	<u>237,743</u>
Total Operating Expenses - Exhibit E-18	<u>244,636</u>

Net Operating Loss - Exhibit C-1 and D-1	\$ <u>(244,627)</u>
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Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Cash Flows
Twelve Months Ended September 30, 1996

Exhibit C-1

	Annual Contribution Contract	
	C-498	C-5032
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Operating Loss - Exhibit B-1, B-3 - B-10	\$ (1,183,888)	\$ (3,534,626)
Prior period adjustment	(137,389)	126,113
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	258,119	415,846
Deferred charges	193,380	-
Debt amortization	(11,058)	-
Increase (decrease) in:		
Accounts payable	(509,617)	(553,561)
Accrued expenses	(212,626)	-
Deferred credits	14,133	(262,709)
NET CASH USED IN OPERATING ACTIVITIES	(1,588,946)	(3,808,937)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Project costs	(1,823,459)	-
Equipment purchased	(1,677)	-
CASH USED IN INVESTMENT ACTIVITIES	(1,825,136)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
HUD grant funds received	2,647,940	-
Operating subsidy	1,029,328	3,538,140
Debt retirement	(300,008)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,377,260	3,538,140
TOTAL NET CASH USED	(36,822)	(270,797)
CASH AT BEGINNING OF YEAR	242,503	349,544
CASH AT END OF YEAR - EXHIBIT A-1	\$ 205,681	\$ 78,747

Springfield Metropolitan Housing Authority
Springfield, Ohio
Analysis of Surplus
Twelve Months Ended September 30, 1996

Exhibit D-1

	Annual Contribution Contract	
	C-498	C-5032
<u>Unreserved Surplus</u>		
Balance at September 30, 1995	\$ (22,230,188)	\$ (38,400,507)
Net loss for year ended September 30, 1996		
PHA Owned Housing - Exhibit B-1	(1,183,888)	
Housing Assistance Payment Program		
Exhibit B-3		(2,237,333)
Exhibit B-4		(69,909)
Exhibit B-5		(156,579)
Exhibit B-6		(130,241)
Exhibit B-7		(127,999)
Exhibit B-8		(71,198)
Exhibit B-9		(496,740)
Exhibit B-10		(244,627)
(Provision for) reduction of operating reserve		
PHA Owned Housing - Exhibit E-1	43,928	
Housing Assistance Payment Program		
Exhibit E-4		(5,866)
Exhibit E-6		1,039
Exhibit E-8		2,150
Exhibit E-10		1,436
Exhibit E-12		1,433
Exhibit E-14		923
Exhibit E-16		(4,671)
Exhibit E-18		41
(Provision for) reduction of project amount unfunded		
Housing Assistance Payment Program		
Exhibit E-3		(24,998)
Exhibit E-5		68,870
Exhibit E-7		98,509
Exhibit E-9		10,335
Exhibit E-11		(1,958)
Exhibit E-13		(21,525)
Exhibit E-15		(132,702)
Exhibit E-17		(73,027)
HUD and prior period adjustments	(137,389)	1,374,483
Balance at September 30, 1996	(23,507,537)	(40,640,661)

Springfield Metropolitan Housing Authority
Springfield, Ohio
Analysis of Surplus
Twelve Months Ended September 30, 1996

Exhibit D-2

	<i>Annual Contribution Contract</i>	
	C-498	C-5032
<u>Reserved Surplus - Operating Reserve Housing Assistance Payment Program</u>		
Balance at September 30, 1995	378,551	
Provision for (reduction of) operating reserve - Exhibit E-1	(43,928)	
Balance at September 30, 1996	334,623	
<u>Reserved surplus - Operating Reserve Housing Assistance Payments Program and PHA Leased Housing/PH DEP</u>		
Balance per prior audit at September 30, 1995		101,003
Prior period adjustment		(14,167)
Provision for (reduction of) operating reserve Housing Assistance Payment Program		
Exhibit E-4		5,866
Exhibit E-6		(1,039)
Exhibit E-8		(2,150)
Exhibit E-10		(1,436)
Exhibit E-12		(1,433)
Exhibit E-14		(923)
Exhibit E-16		4,671
Exhibit E-18		(41)
Balance at September 30, 1996		90,351
<u>Housing Assistance Payment Program - Project Account - Unfunded</u>		
Balance at September 30, 1995		7,318,259
Hud adjustment		(1,234,205)
Provision for (reduction of) project amount Housing Assistance Payment Program		
Exhibit E-3		24,998
Exhibit E-5		(68,870)
Exhibit E-7		(98,509)
Exhibit E-9		(10,335)
Exhibit E-11		1,958
Exhibit E-13		21,525
Exhibit E-15		132,702
Exhibit E-17		73,027
Balance at September 30, 1996		6,160,550

Springfield Metropolitan Housing Authority
 Springfield, Ohio
Analysis of Surplus
 Twelve Months Ended September 30, 1996

Exhibit D-3

	Annual Contribution Contract	
	C-498	C-5032
<u>Cumulative HUD Contributions</u>		
Balance at September 30, 1995	33,739,452	31,178,529
Operating subsidies		
PHA Owned Housing - Exhibit E-1	1,029,328	
Housing Assistance Payment Program		
Exhibit E-4		2,243,199
Exhibit E-6		68,870
Exhibit E-8		154,429
Exhibit E-10		128,805
Exhibit E-12		126,566
Exhibit E-14		70,275
Exhibit E-16		501,411
Exhibit E-18		244,586
FFB Note	562,913	
Balance at September 30, 1996	35,331,693	34,716,670
<u>Cumulative Grants</u>		
Balance per prior audit at September 30, 1995	10,887,877	
Cumulative HUD grants: Comprehensive Grants	2,085,027	
Balance at September 30, 1996	12,972,904	
<u>Donations</u>		
Balance at September 30, 1996	16,314	
Total Surplus at September 30, 1996 - Exhibit A-1	\$ 25,147,997	\$ 326,910

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, 1996, amounted to \$20,177.

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, 1996, the Authority had not received final approval to reclassify the forgiven debt. The unforgiven balances at September 30, 1996, 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, 1996 was \$5,092,648. The following is a 5-year maturity schedule:

1997	\$	311,500
1998		323,000
1999		334,000
2000		361,000
2001		367,500
2002 and thereafter		<u>3,395,148</u>
TOTAL	\$	<u>5,092,648</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 \$284,428. The corresponding bank balances totaled \$355,786. The Authority has a petty cash of \$360.

	<u>Key Bank</u>	<u>Huntington</u>	<u>Security National</u>	<u>National City</u>
Amount insured by the FDIC	\$ 100,000	\$ 4,290	\$ 20,861	\$ 18,307
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)	<u>212,328</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total bank balance	<u>\$ 312,328</u>	<u>\$ 4,290</u>	<u>\$ 20,861</u>	<u>\$ 18,307</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, 1996, the rates were 8.5% and 13.95%, respectively. The Authority's contribution amounted to \$213,855, \$198,962 and \$178,587 for the years ended September 30, 1996, 1995 and 1994, 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 1996, 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. The Authority joined SHARP during 1996.

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. An audit was completed of the Springfield Metropolitan Housing Authority by the Office of the Inspector General and the issue date was October 9, 1998. The Authority was selected based on a congressional request and the request of the HUD's Ohio State Office. They were concerned about the Authority's operations. The audit covered the period of January 1, 1994 through February 28, 1998. They extended the audit period as necessary. The audit was conducted in accordance with generally accepted government auditing standards. The objectives of the audit were to determine whether the Authority administered its programs in an efficient, economical manner, and in compliance with the terms and conditions of the Annual Contributions Contract, applicable laws, HUD regulations, and other applicable directives.

The Office of the Inspector General found the Authority's operations were not being administered in an efficient and economic manner, and in accordance with program requirements and the Annual Contributions Contract. The Executive Director did not always follow HUD's requirements or the Authority's own policies; and the Board of Commissioners did not always assure that the Authority's operations were carried out in an efficient and economic manner. The Authority had frequent turnover of key management personnel, and did not have a plan to facilitate continuity of operations. Specifically, the Authority did not: (1) follow proper payment procedures and the Executive Director did not exercise sound judgment when he approved disbursements of \$38,437 for ineligible and unsupported expenses; (2) maintain an acceptable occupancy level because the Authority did not give priority to preparing vacant units for re-rental. The Executive Director did not: (1) use maintenance employees strictly for maintenance; (2) conduct quality control reviews for Section 8 units inspected by its inspectors and assure that its inspectors were properly trained; (3) follow proper procurement practices because the Executive Director had not assigned one specific upper level management official to be responsible for the practices; (4) use \$95,558 of modernization grant funds in an efficient manner; (5) correctly charge all physical and management improvement costs to the benefiting programs; (6) follow HUD's travel policy requirements; (7) adequately document the method it used to allocate its indirect costs to the various programs; and (8) did not maintain an adequate system of internal controls to safeguard its assets.

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

7. SUBSEQUENT EVENT - CONTINUED

The Authority did respond to the findings within the 60 days as required by the Office of the Inspector General.

- B. Effective November of 1998 the Authority was taken over by the Troubled Agency Recovery Center ("TARC"). Objectives and goals have been set for the Authority. If these goals and objectives are not met the agency could be dissolved as early as September 30, 1999. The representatives of TARC believe the dissolution is not likely to occur.
- C. An FBI Investigation was being conducted in regards to an All-Pro Elevators, Inc. payment by the Authority in the amount of \$6,155 paid on July 16, 1997. This amount was recovered and paid back to the Authority on July 8, 1998 after the completion of the investigation.
- D. There was an employee embezzlement during fiscal year 1998. The employee was terminated on March 4, 1998. The amount taken was not disclosed, but the Authority does not believe it was an insignificant amount.
- E. 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.
- F. 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, 1996. No trial date has been set.

Walter W. Wilson vs. Springfield Metropolitan Housing Authority - Pending civil rights charge filed by a former employee. No lawsuit has yet been filed.

Springfield Metropolitan Housing Authority
 Springfield, Ohio
Computation of Residual Receipts and Accruing Annual Contributions -
PHA Owned Housing
 Twelve Months Ended September 30, 1996

Exhibit E-1

Annual Contribution Contract

Computation of Residual Receipts

Operating Receipts

	<u>Public Housing</u>
Operating Income - Exhibit B-1	\$ 1,394,271
HUD Operating Subsidy - Exhibit D-3	1,029,328
Total Operating Receipts	2,423,599
Prior period adjustments affecting residual receipts	112,309

Operating Expenditures

Operating Expenses - Exhibit B-1	2,578,159
Capital Expenses	1,677
Total Operating Expenditures	2,579,836
Residual Receipts per Audit	(43,928)
Provision for (reduction of) operating reserve - Exhibit D-1 & D-2	(43,928)
Residual Receipts per PHA	\$ -

Springfield Metropolitan Housing Authority
Springfield, Ohio
Year to Date Grant Activity
Twelve Months Ended September 30, 1996

Exhibit E-2

Project OH-16-DEP-0210194

Grant Funds Received	\$ 199,219
<u>Operating Expenses</u>	
Protective Services	<u>173,321</u>
Excess (Deficiency) of Funds	<u>\$ 25,898</u>
Beginning excess (deficiency) of funds	\$ (5,411)
Grant funds received	199,219
Grant funds expended	<u>(173,321)</u>
Excess (deficiency) of funds	<u>\$ 20,487</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, 1996

Exhibit E-3

<u>Project OH16-E021-003/022</u>	<u>Annual Contribution Contract C-5032</u>	
<u>Maximum Contribution Available</u>		
Maximum annual contribution authorized	\$ 2,268,197	
Pro rata maximum annual contribution applicable to a period of less than twelve months	-	
Maximum contribution for period	<u>2,268,197</u>	\$ 2,268,197
Project account balance at beginning of fiscal year	1,978,070	
HUD adjustment	<u>705,221</u>	
Total contributions available	4,951,488	
<u>Annual Contribution Required</u>		
Preliminary fee	4,080	
Administrative fee	287,124	
Housing assistance payments	1,949,605	
Hard-to-house fee	450	
Audit costs	<u>1,940</u>	
Total funds required	2,243,199	
Project receipts other than annual contribution	<u>-</u>	
Total annual contribution required - Exhibit E-4 and D-3	<u>2,243,199</u>	<u>(2,243,199)</u>
<u>Project Account Change</u>		
Provision for (reduction of) project account - Exhibits D-1 and D-2		<u>\$ 24,998</u>
Project account balance end of year	<u>\$ 2,708,289</u>	
<u>Annual Contribution Earned</u>		
Lesser of contributions available or contribution required	<u>\$ 2,243,199</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, 1996

Exhibit E-4

Annual Contribution Contract C-5032

Operating Reserve Change

Operating income - Exhibit B-3	\$ 293
Annual contribution earned - Exhibits E-3 & D-3	<u>2,243,199</u>
Total operating receipts	2,243,492
 <u>Operating Expenditures</u>	
Operating expenses - Exhibit B-2	<u>2,237,626</u>
Net operating receipts available per audit	<u>\$ 5,866</u>
Provision for (reduction of) operating reserves Exhibits D-1 and D-2	<u>\$ 5,866</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, 1996

Exhibit E-5

Project OH16-K021-001

Annual Contribution Contract C-5032

Maximum Contribution Available

Maximum annual contribution authorized	\$	-
Pro rata maximum annual contribution applicable to a period of less than twelve months		-
Maximum contribution for period		-
Project account balance at beginning of fiscal year		269,779
Hud adjustment		<u>(26,596)</u>
Total contributions available		243,183

Annual Contribution Required

Administrative fee		9,622
Housing assistance payments		59,248
Audit costs		-
Total funds required		<u>68,870</u>

Project receipts other than annual contribution

-

Total annual contribution required -
Exhibit E-6

68,870 (68,870)

Project Account Change

Provision for (reduction of) project account -
Exhibits D-1 and D-2

\$ (68,870)

Project account balance end of year

\$ 174,313

Annual Contribution Earned

Lesser of contributions available or
contribution required

\$ 68,870

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, 1996

Exhibit E-6

Annual Contribution Contract C-5032

Operating Reserve Change

Operating income - Exhibit B-4	\$ 110
Annual contribution earned - Exhibits E-5 & D-3	<u>68,870</u>
Total operating receipts	68,980

Operating Expenditures

Operating expenses - Exhibit B-4	<u>70,019</u>
Net operating receipts available per audit	\$ <u>(1,039)</u>
Provision for (reduction of) operating reserves Exhibits D-1 and D-2	\$ <u>(1,039)</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, 1996

Exhibit E-7

Annual Contribution Contract C-5032

Project OH16-K021-002

Maximum Contribution Available

Maximum Annual Contribution Authorized	\$	55,920	
Pro rata maximum annual contribution applicable to a period of a less than twelve months		-	
Maximum contribution for period		55,920	\$ 55,920

Project account balance at beginning of year		512,036	
Hud adjustment		7,922	
Total annual contribution available		575,878	

Annual Contribution Required

Administrative fee		20,131	
Housing assistance payments		134,298	
Audit costs		-	
Total funds required		154,429	

Project receipts other than annual contribution		-	
Total annual contributions required - Exhibit E-8		154,429	(154,429)

Project Account Change

Provision for (reduction of) project account - Exhibits D-1 and D-2			\$ (98,509)
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Project account balance end of year	\$	421,449	
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Annual Contribution Earned

Lesser of contribution available or contribution required	\$	154,429	
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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, 1996

Exhibit E-8

Annual Contribution Contract C-5032

Operating Reserve Change

Operating income - Exhibit B-5	\$ 156
Annual contribution earned - Exhibits E-7 & D-3	<u>154,429</u>
Total operating receipts	154,585
 <u>Operating Expenditures</u>	
Operating expenses - Exhibit B-5	<u>156,735</u>
Net operating receipts available per audit	<u>\$ (2,150)</u>
Provision for (reduction of) operating reserves Exhibits D-1 and D-2	<u>\$ (2,150)</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, 1996

Exhibit E-9

Annual Contribution Contract C-5032

Project OH16-K021-003

Maximum Contribution Available

Maximum annual contribution authorized	\$	118,470	
Pro rata maximum annual contribution applicable to a period of less than twelve months		-	
Maximum contribution for period		118,470	\$ 118,470
 Project account balance at beginning of year		 274,925	
Hud adjustment		10,770	
 Total annual contribution available		 404,165	

Annual Contribution Required

Administrative fee		16,377	
Housing assistance payments		112,428	
Audit costs		-	
 Total funds required		 128,805	
 Project receipts other than annual contribution		 -	
 Total annual contributions required - Exhibit E-10		 128,805	(128,805)

Project Account Change

Provision for (reduction of) project account - Exhibits D-1 and D-2			\$ (10,335)
 Project account balance end of year	\$	 275,360	

Annual Contribution Earned

Lesser of contribution available or contribution required	\$	128,805	
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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, 1996

Exhibit E-10

Annual Contribution Contract C-5032

Operating Reserve Change

Operating income - Exhibit B-6	\$ 119
Annual contribution earned - Exhibits E-9 & D-3	<u>128,805</u>
Total operating receipts	128,924

Operating Expenditures

Operating expenses - Exhibit B-6	<u>130,360</u>
Net operating receipts available per audit	<u>\$ (1,436)</u>
Provision for (reduction of) operating reserves Exhibits D-1 and D-2	<u>\$ (1,436)</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, 1996

Exhibit E-11

Annual Contribution Contract C-5032

Project OH16-K021-004

Maximum Contribution Available

Maximum annual contribution authorized	\$ 128,524	
Pro rata maximum annual contribution applicable to a period of less than twelve months	-	
Maximum contribution for period	<u>128,524</u>	\$ 128,524

Project account balance at beginning of year	466,510	
HUD adjustments	<u>11,684</u>	

Total annual contribution available 606,718

Annual Contribution Required

Administrative fee	15,968	
Housing assistance payments	110,598	
Audit costs	<u>-</u>	

Total funds required 126,566

Project receipts other than annual contribution -

Total annual contributions required -
Exhibit E-12 126,566 (126,566)

Project Account Change

Provision for (reduction of) project account -
Exhibits D-1 and D-2 \$ 1,958

Project account balance end of year \$ 480,152

Annual Contribution Earned

Lesser of contribution available or
contribution required \$ 126,566

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, 1996

Exhibit E-12

Annual Contribution Contract C-5032

Operating Reserve Change

Operating income - Exhibit B-7	\$ 110
Annual contribution earned - Exhibits E-11 & D-3	<u>126,566</u>
Total operating receipts	126,676

Operating Expenditures

Operating expenses - Exhibit B-7	<u>128,109</u>
Net operating receipts available per audit	\$ <u>(1,433)</u>
Provision for (reduction of) operating reserves Exhibits D-1 and D-2	\$ <u>(1,433)</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, 1996

Exhibit E-13

Annual Contribution Contract C-5032

Project OH16-K021-005

Maximum Contribution Available

Maximum annual contribution authorized	\$	91,800	
Pro rata maximum annual contribution applicable to a period of less than twelve months		-	
Maximum contribution for period		91,800	\$ 91,800
 Project account balance at beginning of year		 377,114	
HUD adjustment		4,590	
 Total annual contribution available		 473,504	

Annual Contribution Required

Administrative fee		9,826	
Housing assistance payments		60,449	
Audit costs		-	
 Total funds required		 70,275	
 Project receipts other than annual contributions		 -	
 Total annual contributions required - Exhibit E-14		 70,275	(70,275)

Project Account Change

Provision for (reduction of) project account - Exhibits D-1 and D-2			\$ 21,525
 Project account balance end of year	\$	403,229	

Annual Contribution Earned

Lesser of contribution available or contribution required	\$	70,275	
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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, 1996

Exhibit E-14

Annual Contribution Contract C-5032

Operating Reserve Change

Operating income - Exhibit B-8	\$ 27
Annual contribution earned - Exhibits E-13 & D-3	<u>70,275</u>
Total operating receipts	70,302

Operating Expenditures

Operating expenses - Exhibit B-8	<u>71,225</u>
Net operating receipts available per audit	<u>\$ (923)</u>
Provision for (reduction of) operating reserves Exhibits D-1 and D-2	<u>\$ (923)</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, 1996

Exhibit E-15

Annual Contribution Contract C-5032

Project OH16-V007-015

Maximum Contribution Available

Maximum annual contribution authorized	\$ 634,113	
Pro rata maximum annual contribution applicable to a period of less than twelve months	-	
Maximum contribution for period	<u>634,113</u>	\$ 634,113
Project account balance at beginning of year	1,351,544	
HUD adjustment	<u>84,475</u>	
 Total annual contribution available	 2,070,132	

Annual Contribution Required

Preliminary expense	1,920	
Administrative fee	56,939	
Housing assistance payments	442,282	
Hard-to-house fees	<u>270</u>	
 Total funds required	 501,411	
Project receipts other than annual contribution	<u>-</u>	
 Total annual contributions required - Exhibit E-16	 <u>501,411</u>	 <u>(501,411)</u>

Project Account Change

Provision (reduction of) for project account - Exhibits D-1 and D-2		\$ <u>132,702</u>
Project account balance end of year	\$ <u>1,568,721</u>	

Annual Contribution Earned

Lesser of contribution available or contribution required	\$ <u>501,411</u>
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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, 1996

Exhibit E-16

Annual Contribution Contract C-5032

Operating Reserve Change

Operating income - Exhibit B-9	\$ 92
Annual contribution earned - Exhibits E-15 & D-3	<u>501,411</u>
Total operating receipts	501,503

Operating Expenditures

Operating expenses - Exhibit B-9	<u>496,832</u>
Net operating receipts available per audit	<u>\$ 4,671</u>
Provision for (reduction of) operating reserves Exhibits D-1 and D-2	<u>\$ 4,671</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, 1996

Exhibit E-17

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		56,010	
 Total annual contribution available		373,623	

Annual Contribution Required

Administrative fee		6,843	
Housing assistance payments		237,743	
Audit costs		-	
 Total funds required		244,586	
 Project receipts other than annual contribution		-	
 Total annual contribution required - Exhibit E-18		244,586	(244,586)

Project Account Change

Provision for (reduction of) project account - Exhibits D-1 and D-2			\$ 73,027
 Project account balance end of year		129,037	

Annual Contribution Earned

Lesser of contribution available or contribution required		244,586	\$
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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, 1996

Exhibit E-18

Annual Contribution Contract C-5032

Operating Reserve Change

Operating income - Exhibit B-10	\$ 9
Annual contribution earned - Exhibits E-17 & D-3	<u>244,586</u>
<i>Total operating receipts</i>	244,595

Operating Expenditures

Operating expenses - Exhibit B-10	<u>244,636</u>
Net operating receipts available per audit	<u>\$ (41)</u>
Provision for (reduction of) operating reserves Exhibits D-1 and D-2	<u>\$ (41)</u>

Springfield Metropolitan Housing Authority
 Springfield, Ohio
Reconciliation of Comprehensive Grant Costs with Funds Advanced
 September 30, 1996

Exhibit F

	<u>OH16P021701</u>	<u>OH16P021702</u>	<u>OH16P021703</u>	<u>OH16P021704</u>	<u>OH16P021705</u>
Funds approved	\$ 1,097,094	\$ 1,192,878	\$ 1,110,548	\$ 1,055,351	\$ 932,550
Funds expended	<u>958,806</u>	<u>1,497,580</u>	<u>1,009,878</u>	<u>883,257</u>	<u>114,801</u>
Excess of (deficiency of) funds approved	\$ <u>138,288</u>	\$ <u>(304,702)</u>	\$ <u>100,670</u>	\$ <u>172,094</u>	\$ <u>817,749</u>
Funds advanced	\$ 1,097,094	\$ 1,192,878	\$ 1,110,548	\$ 1,053,581	\$ -
Funds expended	<u>958,806</u>	<u>1,497,580</u>	<u>1,009,878</u>	<u>883,257</u>	<u>114,801</u>
Excess of (deficiency of) funds	\$ <u>138,288</u>	\$ <u>(304,702)</u>	\$ <u>100,670</u>	\$ <u>170,324</u>	\$ <u>(114,801)</u>

Springfield Metropolitan Housing Authority
 Springfield, Ohio
Schedule of Federal Financial Awards Expenditures
 Twelve Months Ended September 30, 1996

	<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	\$ 1,029,328
Public and Indian Housing Comprehensive Grant	14.859	1,384,984
Public and Indian Housing Drug Elimination Program	14.854	<u>173,321</u>
		2,587,633
Annual Contribution Contract C-5032		
Housing Assistance Payments:		
Annual Contribution -		
Section 8 Rental Certificate Program	14.857	2,243,199
Lower Income Housing Assistance Program	14.856	548,945
Section 8 Rental Voucher Program	14.855	501,411
Section 8 New Construction and Substantial Rehabilitation	14.182	<u>244,586</u>
		<u>3,538,141</u>
Total Housing Assistance Payments Cluster		<u>3,538,141</u>
		<u>\$ 6,125,774</u>

**SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
GASB 98-1
(UNAUDITED)
SEPTEMBER 30, 1996**

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely effect the Authority's operations.

As of September 20, 1999:

The Authority is in the process of purchasing a new software program that is Year 2000 compliant. The Authority received from HUD a PH technical assistance grant in the amount of \$200,000 to be spent for Year 2000 compliance. The Authority has spent \$22,000 on the current software and \$2,000 on hardware testing and patches to assure Year 2000 compliance on the present system.

The department of Housing and Urban Development issued a letter that states that HUD is well on its way to ensuring that all of its automated systems will be Year 2000 compliant following a plan designed to be implemented in 1999, the Authority is monitoring the status of the planned system conversion.

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, 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.

Subsequent information:

To the best of management's knowledge and belief, the Authority experienced no significant interruption of mission critical operations or services related to the Year 2000 Issue. However, because of the unprecedented nature of the Year 2000 Issue, matters may yet arise, and parties with whom the Authority does business may also experience Year 2000 readiness issues that are as yet, unknown.



**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, 1996. 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 performed 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 audit 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 1996-3690-001 through 1996-3690-007.

Internal Control Over Financial Reporting

In planning and performing our procedures relating to our engagement to audit the Authority's financial statements as of and for the year ended September 30, 1996, we considered Springfield Metropolitan Housing Authority's internal control over financial reporting in order to determine our auditing 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 1996-3690-008 through 1996-3690-010.

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 conditions 1996-3690-008 and 1996-3690-009 described above are material weaknesses. 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 September 20, 1999.

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.
September 20, 1999



**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, 1996. 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.

As described in item 1996-3690-006 in the accompanying schedule of findings and questioned costs, Springfield Metropolitan Housing Authority, did not comply with requirements regarding the requirements for Family Self Sufficiency Assistance Payments Program that are applicable to its Housing Assistance Payments program. Compliance with such requirements is necessary, in our opinion, for Springfield Metropolitan Housing Authority, to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Springfield Metropolitan Housing Authority, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 1996. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 1996-3690-001 through 1996-3690-007.

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 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 1996-3690-008 through 1996-3690-010.

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 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 that are also considered to be material weaknesses. We believe that the reportable conditions 1996-3690-008 and 1996-3690-009 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.
September 20, 1999

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

September 30, 1996

1. SUMMARY OF AUDITOR'S 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	Qualified
Are there any reportable findings under § .510?	Yes
Major Programs (list):	Housing Assistance Payments Cluster: CFDA #14.857, 14.856, 14.855, 14.182
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, 1996

**2. FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN
ACCORDANCE WITH GAGAS**

Finding Number	1996-3690-001
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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	1996-3690-002
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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	1996-3690-003
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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 its ACC, in requisitioning, disbursing and allocating costs in operating the Comprehensive Grant Programs.

Finding Number	1996-3690-004
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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	1996-3690-005
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The Comprehensive Grant Programs could not be tested 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, 1996

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

Finding Number	1996-3690-006
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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.

Finding Number	1996-3690-007
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OFFICE OF THE INSPECTOR GENERAL FINDINGS

Refer to the subsequent event footnote item A and further detail on pages 50 and 51.

Finding Number	1996-3690-008
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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	1996-3690-009
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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	1996-3690-010
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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, 1996

3. FINDINGS RELATED TO FEDERAL AWARDS	
Finding Number	

See (GAGAS) findings 1996-3690-001 through 1996-3690-010 above; these findings are also required to be reported in accordance with federal awards.

Springfield Metropolitan Housing Authority
Questioned Costs and Findings by the Office of the Inspector General

September 30, 1996

1. The Authority did not follow proper payment procedures. Included in the disbursements of \$38,437 were ineligible and unsupported expenses of the following items:

<u>Date</u>	<u>Payee</u>	<u>Description</u>	<u>Amount</u>	
6/4/97	Grunwald Construction	Roofing	\$ 18,795.00	Insurance Company notified for recovery.
6/20/97	Grunwald Construction	Roofing	6,895.00	Insurance Company notified for recovery.
4/24/97	Jim Turpin	Saw/Pw. Gen	492.00	Insurance Company notified for recovery.
5/13/97	Jim Turpin	Water blaster/nail gun	2,200.00	Insurance Company notified for recovery.
6/4/97	Jim Turpin	Boom Rental (roof)	1,000.00	Insurance Company notified for recovery.
7/16/97	All-Pro Elevator	Elevator Parts	6,755.00	Recovered from All-Pro July 8, 1998.

Expenses not related to the Authority:

Interest on compactor	1,431.00
Interest on compactor	361.00
Contractor's License	300.00
Contractor's License	150.00
Racetrack Trophy	<u>58.00</u>

TOTAL INELIGIBLE AND UNSUPPORTED EXPENSES **\$ 38,437.00**

2. The Authority did not use modernization grant funds in an efficient manner:

Jan-95	Heaters	\$ 51,380.00
Feb-Apr 95	Door knobs/handles	36,024.00
Mar-96	Shower rods	3,420.00
Nov-96	Concrete pads	2,400.00
Nov-96	Kitchen faucets	1,200.00
Dec-94	Refrigerators	400.00
Jun-93	Architect sub fee	364.00
Feb-95	Late fee	<u>370.00</u>

TOTAL **\$ 95,558.00**

3. The Authority did not charge the Section 8 program its fair share:

Computer and telephone systems charged to Comprehensive Grant Program	<u>\$124,570.00</u>
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The Office of the Inspector General believes that \$65,836 should have been charged to the Section 8 program.

Springfield Metropolitan Housing Authority
Questioned Costs and Findings by the Office of the Inspector General – CONTINUED

September 30, 1996

4. **Unsupported expenses in regards to the Authority not following the travel policy:**

Board member - Cherry	\$ 2,750.00
Former Maintenance Director - Turpin	1,249.00
Mileage claim - Turpin	<u>1,312.00</u>
TOTAL	<u>\$ 5,311.00</u>

5. **HUD Handbook 7460.7 REV-1, Field Office Monitoring of Public Housing Agencies, paragraph 5-2(c) requires an agency to complete unit turnaround on average of no more than 30 days. The Authority had excessive unit turnaround time which resulted in an excessive number of vacant units.**
6. **The Authority did not have effective controls to safeguard its assets. Specifically, it did not: (1) adequately segregate duties of its employees for cash receipts and disbursements; (2) always review the biweekly payroll timesheets; (2) deposit rent receipts in a timely manner; (4) maintain effective controls over its supplies and materials; and (5) properly safeguard computer back-up disks. The Housing Authority's management had not given adequate attention to implement effective procedures and controls. As a result, the Authority increased the risk that its cash and materials could be diverted.**

**SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
SEPTEMBER 30, 1996**

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

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact
1996-3690-001	Hired new Finance Director October 1, 1999. Note, we terminated prior Finance Director on May 19, 1999.	11/30/99	Denese Benn
1996-3690-002	We are now starting November 1998 reporting monthly to TARC.	12/31/99	Denese Benn
1996-3690-003	MOD Director hired October 4, 1999 and new Finance Director October 1, 1999.	11/30/99	Jayne Hoover
1996-3690-004	New Finance Director is preparing RFP for GAAD.	4/30/00	Denese Benn
1996-3690-005	New MOD Director is organizing files.	4/30/99	Jayne Hoover
1996-3690-006	New Finance Director will include in HUD-52681 for FYE September 30, 1999.	12/31/99	Denese Benn
1996-3690-007	New Executive Director hired September 20, 1999 has sent an October 27, 1999 letter to TARC.	3/31/00	Mark Stephensen
1996-3690-008	New Finance Director re-wrote Requisition and Purchasing Procedures.	11/30/99	Denese Benn
1996-3690-009	New Finance Director and Executive Director discussed with Board.	11/20/99	Denese Benn Mark Stephenson
1996-3690-010	New Finance Director will formalize with new computer system.	4/30/00	Denese Benn

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

September 30, 1996

Finding Summary	Status
Financial Reporting	Not Corrected
Monthly Closings Not Performed Timely	Not Corrected
Investment of Excess Funds	Not Corrected
Comprehensive Grant Funds Not Properly Requisitioned	Not Corrected
Reconciliation of Interfund Payables/Receivables	Corrected

Springfield Metropolitan Housing Authority
Activities of the PHA
September 30, 1996

The PHA had 1,885 units in management.

<u>Management</u>	<u>Units</u>
PHA Owned Housing	892
Section 8	
Existing	650
Mod Rehab	183
New Construction	32
Voucher	<u>128</u>
Total	<u>1,885</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.

By: *Susan Babbitt*

Date: APRIL 6, 2000