



**SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
SPRINGFIELD, OHIO**

**REPORT ON
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA**

Twelve Months ended September 30, 1997

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

**SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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Board of Directors
Springfield Metropolitan Housing Authority

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, 1996 through September 30, 1997. 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.



JIM PETRO
Auditor of State

March 27, 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, 1997, 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.

Jones, Cochenour & Co.
October 10, 1999

Springfield Metropolitan Housing Authority
 Springfield, Ohio
Statement of Assets, Liabilities and Surplus
 September 30, 1997

Exhibit A-1

	<u>Annual Contribution Contract</u>	<u>PH</u>	<u>Section 8</u>
	<u>C-498</u>	<u>C-5032</u>	
<u>Assets</u>			
Cash and cash equivalents	\$ 117,234	\$ 36,564	
Accounts receivable - tenants	148,536	38,410	
Accounts receivable - interprogram	-	243,441	
Accounts receivable - other	2,587	13,761	
Debt amortization funds	5,637	-	
Deferred charges	143,004	-	
Land, structures and equipment	<u>38,833,493</u>	<u>110,447</u>	
Total Assets	\$ <u>39,250,491</u>	\$ <u>442,623</u>	
<u>Liabilities and Surplus</u>			
Accounts payable	\$ 56,773	\$ 2,763	
Accounts payable - HUD	-	163,430	
Accounts payable - interprogram	243,441	-	
Tenant security deposits	79,168	-	
Notes payable	7,912,824	-	
Accrued liabilities	293,928	-	
Fixed liabilities	<u>4,780,463</u>	<u>-</u>	
Total Liabilities	13,366,597	166,193	
Surplus - Exhibit D-3	<u>25,883,894</u>	<u>276,430</u>	
Total Liabilities and Surplus	\$ <u>39,250,491</u>	\$ <u>442,623</u>	

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - PHA Owned Housing
Twelve Months Ended September 30, 1997

Exhibit B-1

Annual Contributions Contract C-498

<u>Operating Income</u>	\$ 1,357,376
Rental income	5,128
Excess utilities	450
Nondwelling rental	6,287
Interest on general fund investments	64,091
Other income	<u>64,091</u>
Total Operating Income - Exhibit E-1	1,433,332
<u>Operating Expenses</u>	738,012
Administration	39,340
Tenant services	603,840
Utilities	667,424
Ordinary maintenance and operations	10,030
Protective services	534,923
General expenses	<u>534,923</u>
Total Operating Expenses - Exhibit E-1	<u>2,593,569</u>
Net Operating Loss - Exhibit C-1 and Exhibit D-1	<u>\$ (1,160,237)</u>

Springfield Metropolitan Housing Authority
 Springfield, Ohio
Statement of Income and Expenses - Drug Elimination Program
 Twelve Months Ended September 30, 1997

Exhibit B-2

Annual Contributions Contract C-498

Project OH16 - DEP - 0210194

Grant funds	\$	66,581
<u>Operating Expenses</u>		
Protective services		(87,068)
Excess (Deficiency) of Funds	\$	(20,487)

Project OH16 - DEP - 0210196

Grant funds received	\$	103,376
<u>Operating Expenses</u>		
Law enforcement		(87,328)
Tenant patrol		(335)
Drug prevention		(49,388)
Excess (Deficiency) of Funds	\$	(33,675)

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - Housing Assistance Payments Program
Twelve Months Ended September 30, 1997

Exhibit B-3

Annual Contributions Contract C-5032

Project OH16 - E021

<u>Operating Income</u>	\$ 1,394
Interest on operating reserve investments	
Total Operating Income - Exhibit E-4	1,394
<u>Operating Expenses</u>	272,531
Administrative expense	<u>1,808,124</u>
Housing assistance payments	
Total Operating Expenses - Exhibit E-4	<u>2,080,655</u>
Net Operating Loss - Exhibit C-1 and D-1	<u>\$ (2,079,261)</u>

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - Housing Assistance Payments Program
Twelve Months Ended September 30, 1997

Exhibit B-4

Annual Contributions Contract C-5032

Project OH16 - K021-001

Operating Income

Interest on operating reserve investments

\$ _____ -

Total Operating Income - Exhibit E-6

-

Operating Expenses

Administrative expense

5,062

Housing assistance payments

17,936

Total Operating Expenses - Exhibit E-6

22,998

Net Operating Loss - Exhibit C-1 and D-1

\$ (22,998)

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - Housing Assistance Payments Program
Twelve Months Ended September 30, 1997

Exhibit B-5

Annual Contributions Contract C-5032

Project OH16 - K021-002

Operating Income

Interest on operating reserve investments

\$ _____ -

Total Operating Income - Exhibit E-8

-

Operating Expenses

Administrative expense

18,078

Housing assistance payments

65,728

Total Operating Expenses - Exhibit E-8

83,806

Net Operating Loss - Exhibit C-1 and D-1

\$ (83,806)

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - Housing Assistance Payments Program
Twelve Months Ended September 30, 1997

Exhibit B-6

Annual Contributions Contract C-5032

Project OH16 - K021-003

<u>Operating Income</u>	\$ -
Interest on operating reserve investment	-
Total Operating Income - Exhibit E-10	-
<u>Operating Expenses</u>	15,909
Administrative expense	<u>62,068</u>
Housing assistance payments	<u>77,977</u>
Total Operating Expenses - Exhibit E-10	<u>77,977</u>
Net Operating Loss - Exhibit C-1 and D-1	<u>\$ (77,977)</u>

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - Housing Assistance Payments Program
Twelve Months Ended September 30, 1997

Exhibit B-7

Annual Contributions Contract C-5032

Project OH16 - K021-004

<u>Operating Income</u>	\$ -
Interest on operating reserve investments	-
Total Operating Income - Exhibit E-12	-
<u>Operating Expenses</u>	-19,525
Administrative expense	85,929
Housing assistance payments	105,454
Total Operating Expenses - Exhibit E-12	105,454
Net Operating Loss - Exhibit C-1 and D-1	\$ (105,454)

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - Housing Assistance Payments Program
Twelve Months Ended September 30, 1997

Exhibit B-8

Annual Contributions Contract C-5032

Project OH16 - K021-005

<u>Operating Income</u>	\$	-
Interest on operating reserve investments		-
Total Operating Income - Exhibit E-14		
<u>Operating Expenses</u>		13,739
Administrative expense		44,326
Housing assistance payments		58,065
Total Operating Expenses - Exhibit E-14		58,065
Net Operating Loss - Exhibit C-1 and D-1	\$	(58,065)

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - Housing Assistance Payments Program
Twelve Months Ended September 30, 1997

Exhibit B-9

Annual Contributions Contract C-5032

Project OH16 - V021-007/015

<u>Operating Income</u>	\$	-
Interest on operating reserve investments		-
Total Operating Income - Exhibit E-16		
<u>Operating Expenses</u>		44,847
Administrative expense		448,105
Housing assistance payments		492,952
Total Operating Expenses - Exhibit E-16		492,952
Net Operating Loss - Exhibit C-1 and D-1	\$	(492,952)

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Income and Expenses - Housing Assistance Payments Program
Twelve Months Ended September 30, 1997

Exhibit B-10

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

6,842

Housing assistance payments

247,501

Total Operating Expenses - Exhibit E-18

254,343

Net Operating Loss - Exhibit C-1 and D-1

\$ (254,343)

Springfield Metropolitan Housing Authority
Springfield, Ohio
Statement of Cash Flows
Twelve Months Ended September 30, 1997

Exhibit C-1

	<u>Annual Contribution Contract</u>	
	C-498	C-5032
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Operating Loss - Exhibit B-1, B-3 - B-10	\$ (1,160,237)	\$ (3,174,856)
Prior period adjustment	(49,870)	-
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(89,460)	(78,425)
Deferred charges	(12,261)	-
Debt amortization	(394)	-
Increase (decrease) in:		
Accounts payable	291,409	86,722
Accrued expenses	(6,479)	-
Deferred credits	(14,133)	-
NET CASH USED IN OPERATING ACTIVITIES	(1,041,425)	(3,166,559)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Project costs	(678,477)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
HUD grant funds received	639,604	-
Operating subsidy	991,851	3,124,376
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,631,455	3,124,376
TOTAL NET CASH USED	(88,447)	(42,183)
CASH AT BEGINNING OF YEAR	205,681	78,747
CASH AT END OF YEAR - EXHIBIT A-1	\$ 117,234	\$ 36,564

Springfield Metropolitan Housing Authority
Springfield, Ohio
Analysis of Surplus
Twelve Months Ended September 30, 1997

	Exhibit D-1	
	Annual Contribution Contract	
	<u>C-498</u>	<u>C-5032</u>
Unreserved Surplus		
Balance at September 30, 1996	\$ (23,507,537)	\$ (40,640,661)
Net loss for year ended September 30, 1997		
PHA Owned Housing - Exhibit B-1	(1,160,237)	
Housing Assistance Payment Program		
Exhibit B-3		(2,079,261)
Exhibit B-4		(22,998)
Exhibit B-5		(83,806)
Exhibit B-6		(77,977)
Exhibit B-7		(105,454)
Exhibit B-8		(58,065)
Exhibit B-9		(492,952)
Exhibit B-10		(254,343)
(Provision for) reduction of operating reserve		
PHA Owned Housing - Exhibit E-1	195,663	
Housing Assistance Payment Program		
Exhibit E-4		17,021
Exhibit E-6		2,494
Exhibit E-8		8,982
Exhibit E-10		8,062
Exhibit E-12		9,680
Exhibit E-14		6,997
Exhibit E-16		(2,755)
Exhibit E-18		-
(Provision for) reduction of project amount unfunded		
Housing Assistance Payment Program		
Exhibit E-3		(801,018)
Exhibit E-5		20,504
Exhibit E-7		74,824
Exhibit E-9		69,915
Exhibit E-11		95,774
Exhibit E-13		(40,732)
Exhibit E-15		198
Exhibit E-17		(63,270)
F.F.B. note and agency bonds interest	(250,334)	
Prior period adjustment not affecting residual receipts for grant activities	(49,870)	
HUD and prior period adjustments	<u>1,970</u>	<u>4,400,458</u>
Balance at September 30, 1997	(24,770,345)	(40,008,383)

Springfield Metropolitan Housing Authority
Springfield, Ohio
Analysis of Surplus
Twelve Months Ended September 30, 1997

Exhibit D-2

	Annual Contribution Contract	
	C-498	C-5032
<u>Reserved Surplus - Operating Reserve Housing Assistance Payment Program</u>		
Balance at September 30, 1996	334,623	
Provision for (reduction of) operating reserve - Exhibit E-1	(195,663)	
Balance at September 30, 1997	138,960	
<u>Reserved surplus - Operating Reserve Housing Assistance Payments Program and PHA Leased Housing/PH DEP</u>		
Balance per prior audit at September 30, 1996		90,351
Provision for (reduction of) operating reserve Housing Assistance Payment Program		
Exhibit E-4		(17,021)
Exhibit E-6		(2,494)
Exhibit E-8		(8,982)
Exhibit E-10		(8,062)
Exhibit E-12		(9,680)
Exhibit E-14		(6,997)
Exhibit E-16		2,755
Exhibit E-18		-
Balance at September 30, 1997		39,870
<u>Housing Assistance Payment Program - Project Account - Unfunded</u>		
Balance at September 30, 1996		6,160,550
HUD recapture		(4,400,458)
Provision for (reduction of) project amount Housing Assistance Payment Program		
Exhibit E-3		801,018
Exhibit E-5		(20,504)
Exhibit E-7		(74,824)
Exhibit E-9		(69,915)
Exhibit E-11		(95,774)
Exhibit E-13		40,732
Exhibit E-15		(198)
Exhibit E-17		63,270
Balance at September 30, 1997		2,403,897

Springfield Metropolitan Housing Authority
Springfield, Ohio
Analysis of Surplus
Twelve Months Ended September 30, 1997

Exhibit D-3

	Annual Contribution Contract C-498	C-5032
<u>Cumulative HUD Contributions</u>		
Balance at September 30, 1996	35,331,693	34,716,670
Operating subsidies		
PHA Owned Housing - Exhibit E-1	991,851	
Housing Assistance Payment Program		
Exhibit E-4		2,062,240
Exhibit E-6		20,505
Exhibit E-8		74,824
Exhibit E-10		69,915
Exhibit E-12		95,774
Exhibit E-14		51,068
Exhibit E-16		495,707
Exhibit E-18		254,343
FFB Note	562,913	
Balance at September 30, 1997	36,886,457	37,841,046
<u>Cumulative Grants</u>		
Balance per prior audit at September 30, 1996	12,972,904	
Cumulative HUD grants: Comprehensive Grants	639,604	
Balance at September 30, 1997	13,612,508	
<u>Donations</u>		
Balance at September 30, 1997	16,314	
Total Surplus at September 30, 1997 - Exhibit A-1	\$ 25,883,894	\$ 276,430

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 deprecate 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, 1997, 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, 1997, 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, 1997 was \$4,780,463. The following is a 5-year maturity schedule:

1998	323,000
1999	334,000
2000	361,000
2001	367,500
2002	375,000
2003 and thereafter	<u>3,019,963</u>
TOTAL	<u>\$ 4,780,463</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 \$153,798. The corresponding bank balances totaled \$198,747. 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	\$ 4,240	\$ 51,599	\$ 14,067
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>28,841</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total bank balance	<u>\$ 128,841</u>	<u>\$ 4,240</u>	<u>\$ 51,599</u>	<u>\$ 14,067</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 \$237,045, \$213,855 and \$198,962 for the years ended September 30, 1997, 1996 and 1995, 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 1997, 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. 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, 1997. 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, 1997

Exhibit E-1

Annual Contribution Contract

Computation of Residual Receipts

	<u>Public Housing</u>
<u>Operating Receipts</u>	
Operating Income - Exhibit B-1	\$ 1,433,332
HUD Operating Subsidy - Exhibit D-3	<u>991,851</u>
Total Operating Receipts	2,425,183
Prior period adjustments affecting residual receipts	(3,357)
<u>Operating Expenditures</u>	
Operating Expenses - Exhibit B-1	2,593,569
Capital Expenses	<u>23,920</u>
Total Operating Expenditures	<u>2,617,489</u>
Residual Receipts per Audit	(195,663)
Provision for (reduction of) operating reserve - Exhibit D-1 & D-2	<u>(195,663)</u>
Residual Receipts per PHA	<u>\$ -</u>

Springfield Metropolitan Housing Authority
 Springfield, Ohio
Year to Date Grant Activity
 Twelve Months Ended September 30, 1997

Exhibit E-2

	<u>OH-16-DEP-0210196</u>	<u>OH-16-DEP-0210194</u>
Grant funds received and receivable	\$ 137,051	\$ 265,800
Operating expenses	<u>137,051</u>	<u>265,800</u>
Excess (deficiency) of funds	-	-
Beginning excess (deficiency) of funds	-	20,487
Grant funds received	103,376	66,581
Grant funds expended	<u>(137,051)</u>	<u>(87,068)</u>
Excess (deficiency) of funds	<u>\$ (33,675)</u>	<u>\$ -</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, 1997

Exhibit E-3

Project OH16-E021

Annual Contribution Contract C-5032

Maximum Contribution Available

Maximum annual contribution authorized	\$ 2,863,258	
Pro rata maximum annual contribution applicable to a period of less than twelve months	-	
Maximum contribution for period	2,863,258	\$ 2,863,258

Project account balance at beginning of fiscal year	2,708,289	
HUD adjustment	(3,178,703)	

Total contributions available 2,392,844

Annual Contribution Required

Administrative fee	253,486	
Housing assistance payments	1,808,124	
Hard-to-house fee	630	
Total funds required	2,062,240	

Project receipts other than annual contribution -

Total annual contribution required -
Exhibit E-4 and D-3 2,062,240 (2,062,240)

Project Account Change

Provision for (reduction of) project account -
Exhibits D-1 and D-2 \$ 801,018

Project account balance end of year \$ 330,604

Annual Contribution Earned

Lesser of contributions available or
contribution required \$ 2,062,240

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, 1997

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>2,062,240</u>
Total operating receipts	2,063,634

Operating Expenditures

Operating expenses - Exhibit B-3	<u>2,080,655</u>
Net operating receipts available per audit	<u>\$ (17,021)</u>
Provision for (reduction of) operating reserves Exhibits D-1 and D-2	<u>\$ (17,021)</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, 1997

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		174,313
HUD adjustment		-
Total contributions available		174,313

Annual Contribution Required

Administrative fee		2,568
Housing assistance payments		17,936
Total funds required		20,504

Project receipts other than annual contribution		-
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Total annual contribution required - Exhibit E-6		20,504	(20,504)
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Project Account Change

Provision for (reduction of) project account - Exhibits D-1 and D-2			\$ (20,504)
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Project account balance end of year	\$	153,809
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Annual Contribution Earned

Lesser of contributions available or contribution required	\$	20,504
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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, 1997

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>20,504</u>
Total operating receipts	20,504
 <u>Operating Expenditures</u>	
Operating expenses - Exhibit B-4	<u>22,998</u>
Net operating receipts available per audit	<u>\$ (2,494)</u>
Provision for (reduction of) operating reserves Exhibits D-1 and D-2	<u>\$ (2,494)</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, 1997

Exhibit E-7

Annual Contribution Contract C-5032

Project OH16-K021-002

Maximum Contribution Available

Maximum Annual Contribution Authorized	\$	-	
Pro rata maximum annual contribution applicable to a period of a less than twelve months		-	
Maximum contribution for period		-	\$ -
Project account balance at beginning of year		421,449	
HUD adjustment		-	
Total annual contribution available		421,449	

Annual Contribution Required

Administrative fee		9,096	
Housing assistance payments		65,728	
Total funds required		74,824	

Project receipts other than annual contribution

Total annual contributions required - Exhibit E-8		74,824	(74,824)
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Project Account Change

Provision for (reduction of) project account - Exhibits D-1 and D-2			\$ (74,824)
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Project account balance end of year	\$	<u>346,625</u>
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Annual Contribution Earned

Lesser of contribution available or contribution required	\$	<u>74,824</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, 1997

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>74,824</u>
Total operating receipts	74,824

Operating Expenditures

Operating expenses - Exhibit B-5	<u>83,806</u>
Net operating receipts available per audit	<u>\$ (8,982)</u>
Provision for (reduction of) operating reserves Exhibits D-1 and D-2	<u>\$ (8,982)</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, 1997

Exhibit E-9

Annual Contribution Contract C-5032

Project OH16-K021-003

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 year		275,360	
HUD adjustment		-	
Total annual contribution available		275,360	

Annual Contribution Required

Administrative fee		7,847	
Housing assistance payments		62,068	
Total funds required		69,915	
Project receipts other than annual contribution		-	
Total annual contributions required - Exhibit E-10		69,915	(69,915)

Project Account Change

Provision for (reduction of) project account - Exhibits D-1 and D-2			\$ (69,915)
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Project account balance end of year	\$	<u>205,445</u>	
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Annual Contribution Earned

Lesser of contribution available or contribution required	\$	<u>69,915</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, 1997

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>69,915</u>
Total operating receipts	69,915

Operating Expenditures

Operating expenses - Exhibit B-6	<u>77,977</u>
Net operating receipts available per audit	\$ <u>(8,062)</u>
Provision for (reduction of) operating reserves Exhibits D-1 and D-2	\$ <u>(8,062)</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, 1997

Exhibit E-11

Annual Contribution Contract C-5032

Project OH16-K021-004

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 year		480,153	
HUD adjustments		-	
Total annual contribution available		480,153	
<u>Annual Contribution Required</u>			
Administrative fee		9,845	
Housing assistance payments		85,929	
Total funds required		95,774	
Project receipts other than annual contribution		-	
Total annual contributions required - Exhibit E-12		95,774	(95,774)
<u>Project Account Change</u>			
Provision for (reduction of) project account - Exhibits D-1 and D-2			\$ (95,774)
Project account balance end of year	\$	384,379	
<u>Annual Contribution Earned</u>			
Lesser of contribution available or contribution required	\$	95,774	

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, 1997

Exhibit E-12

Annual Contribution Contract C-5032

Operating Reserve Change

Operating income - Exhibit B-7	\$ -
Annual contribution earned - Exhibits E-11 & D-3	<u>95,774</u>
Total operating receipts	95,774

Operating Expenditures

Operating expenses - Exhibit B-7	<u>105,454</u>
Net operating receipts available per audit	<u>\$ (9,680)</u>
Provision for (reduction of) operating reserves Exhibits D-1 and D-2	<u>\$ (9,680)</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, 1997

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		403,229		
HUD adjustment		-		
 Total annual contribution available		495,029		

Annual Contribution Required

Administrative fee		6,742		
Housing assistance payments		44,326		
 Total funds required		51,068		
 Project receipts other than annual contributions		-		
 Total annual contributions required - Exhibit E-14		51,068	(51,068)

Project Account Change

Provision for (reduction of) project account - Exhibits D-1 and D-2			\$	40,732
 Project account balance end of year		\$		443,961

Annual Contribution Earned

Lesser of contribution available or contribution required		\$		51,068
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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, 1997

Exhibit E-14

Annual Contribution Contract C-5032

Operating Reserve Change

Operating income - Exhibit B-8	\$ -
Annual contribution earned - Exhibits E-13 & D-3	<u>51,068</u>
Total operating receipts	51,068

Operating Expenditures

Operating expenses - Exhibit B-8	<u>58,065</u>
Net operating receipts available per audit	<u>\$ (6,997)</u>
Provision for (reduction of) operating reserves Exhibits D-1 and D-2	<u>\$ (6,997)</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, 1997

Exhibit E-15

Annual Contribution Contract C-5032

Project OH16-V007-015

Maximum Contribution Available

Maximum annual contribution authorized	\$ 495,509	
Pro rata maximum annual contribution applicable to a period of less than twelve months	-	
Maximum contribution for period	<u>495,509</u>	\$ 495,509
Project account balance at beginning of year	1,568,721	
HUD recapture	<u>(1,221,755)</u>	
Total annual contribution available	842,475	

Annual Contribution Required

Administrative fee	47,422	
Housing assistance payments	448,105	
Hard-to-house fees	<u>180</u>	
Total funds required	495,707	
Project receipts other than annual contribution	<u>-</u>	
Total annual contributions required - Exhibit E-16	<u>495,707</u>	<u>(495,707)</u>

Project Account Change

Provision (reduction of) for project account - Exhibits D-1 and D-2		<u>\$ (198)</u>
Project account balance end of year	<u>\$ 346,768</u>	

Annual Contribution Earned

Lesser of contribution available or contribution required	<u>\$ 495,707</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, 1997

Exhibit E-16

Annual Contribution Contract C-5032

Operating Reserve Change

Operating income - Exhibit B-9	\$ -
Annual contribution earned - Exhibits E-15 & D-3	<u>495,707</u>
	495,707

Total operating receipts

Operating Expenditures

Operating expenses - Exhibit B-9	<u>492,952</u>
	\$ <u>2,755</u>

Net operating receipts available per audit

Provision for (reduction of) operating reserves Exhibits D-1 and D-2	<u>\$ 2,755</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, 1997

Exhibit E-17

Annual Contribution Contract C-5032

Project OHI6-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		129,037	
Total annual contribution available		446,650	

Annual Contribution Required

Administrative fee		6,842	
Housing assistance payments		247,501	
Total funds required		254,343	
Project receipts other than annual contribution		-	
Total annual contribution required - Exhibit E-18		254,343	(254,343)

Project Account Change

Provision for (reduction of) project account - Exhibits D-1 and D-2			\$ 63,270
Project account balance end of year	\$	192,307	

Annual Contribution Earned

Lesser of contribution available or contribution required	\$	254,343	
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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, 1997

Exhibit E-18

Annual Contribution Contract C-5032

Operating Reserve Change

Operating income - Exhibit B-10
Annual contribution earned - Exhibits E-17 & D-3

\$ -
254,343
254,343

Total operating receipts

Operating Expenditures

Operating expenses - Exhibit B-10

254,343

Net operating receipts available per audit

\$ -

Provision for (reduction of) operating reserves
Exhibits D-1 and D-2

\$ -

Springfield Metropolitan Housing Authority
 Springfield, Ohio
Reconciliation of Comprehensive Grant Costs with Funds Advanced
 September 30, 1997

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>677,858</u>	<u>999</u>
Excess of (deficiency of) funds approved	\$ -	\$ -	\$ -	\$ -	\$ <u>254,692</u>	\$ <u>924,793</u>
Funds advanced	\$ 1,097,094	\$ 1,192,878	\$ 1,110,548	\$ 1,053,581	\$ 639,604	\$ -
Funds expended	<u>1,097,094</u>	<u>1,192,878</u>	<u>1,110,548</u>	<u>1,055,351</u>	<u>677,858</u>	<u>999</u>
Excess of (deficiency of) funds	\$ -	\$ -	\$ -	\$ <u>(1,770)</u>	\$ <u>(38,254)</u>	\$ <u>(999)</u>

Springfield Metropolitan Housing Authority
 Springfield, Ohio
Schedule of Federal Financial Awards Expenditures
 Twelve Months Ended September 30, 1997

	<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	\$ 991,851
Public and Indian Housing Comprehensive Grant	14.859	670,404
Public and Indian Housing Drug Elimination Program	14.854	<u>224,119</u>
		1,886,374
Annual Contribution Contract C-5032		
Housing Assistance Payments:		
Annual Contribution -		
Section 8 Rental Certificate Program	14.857	2,062,240
Lower Income Housing Assistance Program	14.856	312,086
Section 8 Rental Voucher Program	14.855	495,707
Section 8 New Construction and Substantial Rehabilitation	14.182	<u>254,343</u>
		<u>3,124,376</u>
Total Housing Assistance Payments Cluster		<u>3,124,376</u>
Total - All Programs		<u>\$ 5,010,750</u>

**SPRINGFIELD METROPOLITAN HOUSING AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
GASB 98-1
(UNAUDITED)
SEPTEMBER 30, 1997**

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 October 10, 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, 1997. The scope of our work was not sufficient for us to express, and we did not express, an opinion on these financial statements.

Compliance

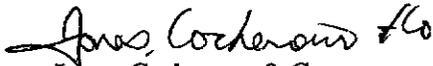
We were engaged to perform tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those 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 1997-3690-001 through 1997-3690-007.

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, 1997, 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 1997-3690-008 through 1997-3690-010.

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 1997-3690-008 and 1997-3690-009 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 October 10, 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.

October 10, 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 were engaged to audit 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, 1997. 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. The scope of our work was not sufficient for us to express, and we did not express, an opinion on this compliance.

We were engaged to audit the 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. The scope of work was not sufficient for us to express, and we did not express, an opinion on this compliance.

Internal Control Over Compliance

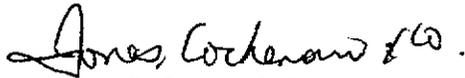
The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our engagement of compliance, we considered the Authority's 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. The scope of work was not sufficient for us to express, and we did not express, an opinion on this compliance.

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 1997-3690-008 through 1997-3690-010.

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

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 1997-3690-008 and 1997-3690-009 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.

October 10, 1999

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

September 30, 1997

I. 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	Disclaimed Opinion
Are there any reportable findings under § .510?	Yes
Major Programs (list):	Housing Assistance Payments Cluster: CFDA #14.857, 14.856, 14.855, 14.182 and Public Housing CFDA #14.850, 14.859, 14.854
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, 1997

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

Finding Number

1997-3690-001

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. The reports filed with HUD for public housing were prepared on the wrong forms and the analysis of non-routine maintenance and pilot forms were never located.

Finding Number

1997-3690-002

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

1997-3690-003

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

1997-3690-004

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

1997-3690-005

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, 1997

2. FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - DISCLAIMED OPINION - CONTINUED
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Finding Number	1997-3690-006
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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. We could not test FSS due to no schedule available to review.

Finding Number	1997-3690-007
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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	1997-3690-008
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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	1997-3690-009
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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	1997-3690-010
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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, 1997

2. FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - DISCLAIMED OPINION - CONTINUED	
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Finding Number	1997-3690-0011
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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.

3. FINDINGS RELATED TO FEDERAL AWARDS - NO OPINION EXPRESSED	
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Finding Number	
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See (GAGAS) findings 1997-3690-001 through 1997-3690-011 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, 1997

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, 1997

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, 1997**

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

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact
1997-3690-001	Hired new Finance Director October 1, 1999. Note, we terminated prior Finance Director on May 19, 1999.	11/30/99	Denese Benn
1997-3690-002	We are now starting November 1998 reporting monthly to TARC.	12/31/99	Denese Benn
1997-3690-003	MOD Director hired October 4, 1999 and new Finance Director October 1, 1999.	11/30/99	Jayne Hoover
1997-3690-004	New Finance Director is preparing RFP for GAAD.	4/30/00	Denese Benn
1997-3690-005	New MOD Director is organizing files.	4/30/99	Jayne Hoover
1997-3690-006	New Finance Director will include in HUD-52681 for FYE September 30, 1999.	12/31/99	Denese Benn
1997-3690-007	New Executive Director hired October 10, 1999 has sent an October 27, 1999 letter to TARC.	3/31/00	Mark Stephensen
1997-3690-008	New Finance Director re-wrote Requisition and Purchasing Procedures.	11/30/99	Denese Benn
1997-3690-009	New Finance Director and Executive Director discussed with Board.	11/20/99	Denese Benn Mark Stephenson
1997-3690-010	New Finance Director will formalize with new computer system.	4/30/00	Denese Benn
1997-3690-011	New Finance Director will oversee correct preparation of these forms.	9/30/99 Reports	Denese Benn

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

September 30, 1997

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
Finding Number 1996-3690-001	Not Corrected
Finding Number 1996-3690-002	Not Corrected
Finding Number 1996-3690-003	Not Corrected
Finding Number 1996-3690-004	Not Corrected
Finding Number 1996-3690-005	Not Corrected
Finding Number 1996-3690-006	Not Corrected
Finding Number 1996-3690-007	Not Corrected
Finding Number 1996-3690-008	Not Corrected
Finding Number 1996-3690-009	Not Corrected
Finding Number 1996-3690-010	Not Corrected

Springfield Metropolitan Housing Authority
Activities of the PHA
September 30, 1997

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