

Butler Metropolitan Housing Authority
General Purpose Financial Statements
For the Year Ended June 30, 2002



**Auditor of State
Betty Montgomery**

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Board of Directors
Butler Metropolitan Housing Authority
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We have reviewed the Independent Auditor's Report of the Butler Metropolitan Housing Authority, Butler County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period July 1, 2001 through June 30, 2002. 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 Butler Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

January 22, 2003

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BUTLER METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2002

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SALVATORE CONSIGLIO, CPA, INC.

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Independent Auditors' Report

Board of Directors
Butler Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the accompanying general purpose financial statements of Butler Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Butler Metropolitan Housing Authority, Ohio, management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Butler Metropolitan Housing Authority, Ohio, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with generally accepted accounting principles generally accepted in the United State of America.

Member of American Institute of Certified Public Accountants
Ohio Society of Certified Public Accountants

In accordance with *Government Auditing Standards*, I have also issued a report dated November 8, 2002, on my consideration of Butler Metropolitan Housing Authority, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of our audit.

My Audit was performed for the purpose of forming and opinion on the general-purpose financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Butler Metropolitan Housing Authority, Ohio. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* and is not a required part of the general purpose financial statements. The combining financial data schedule ("FDS") is presented for purposes additional analysis as required by the Department of Housing and Urban Development and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic financial statements taken as a whole.



Salvatore Consiglio, CPA, Inc.

November 8,2002

Butler Metropolitan Housing Authority
 Combined Balance Sheet
 Proprietary Fund Type - Enterprise Fund
 June 30, 2002

ASSETS

CURRENT ASSETS	
Cash and Cash Equivalents	\$2,778,869
Investments	3,408,725
Accounts Receivable - Net of Allowance	370,846
Inventories - net of allowance	110,697
Deferred charges and other assets	<u>151,852</u>
TOTAL CURRENT ASSETS	<u>6,820,989</u>
NONCURRENT ASSETS:	
Fixed Assets - Net of Accumulated Depreciation	16,262,773
Investment for FSS Escrow	75,000
Other assets	<u>150,542</u>
TOTAL NONCURRENT ASSETS	<u>16,488,315</u>
TOTAL ASSETS	<u><u>\$23,309,304</u></u>

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES:	
Accounts Payable	\$257,527
Tenant Security Deposits	162,957
Accrued Wages and Payroll Taxes Payable	94,623
Deferred credit and other liabilities	<u>17,969</u>
TOTAL CURRENT LIABILITIES	<u>533,076</u>
NONCURRENT LIABILITIES:	
Other long-term liabilities	<u>179,586</u>
TOTAL NONCURRENT LIABILITIES	<u>179,586</u>
TOTAL LIABILITIES	<u>\$712,662</u>

The accompanying notes to the general-purpose financial statements are an integral part of these statements.

Butler Metropolitan Housing Authority
Balance Sheet - Continued
Proprietary Fund Type - Enterprise Fund
June 30, 2002

FUND EQUITY:	
Total Contributed Capital	\$13,921,169
Retained Earnings - Reserved for Fixed Assets	239,151
Retained Earnings - Unreserved Fund	<u>8,436,322</u>
 TOTAL FUND EQUITY	 <u>22,596,642</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u><u>\$23,309,304</u></u>

The accompanying notes to the general-purpose financial statements are an integral part of these statements.

Butler Metropolitan Housing Authority
Statement of Revenue, Expenses and Change in Fund Equity
Proprietary Fund Type
Enterprise Fund
For the Year Ended June 30, 2002

REVENUE

Grant Revenue	\$9,441,802
Tenant Revenue	1,467,987
Interest	326,045
Other Income	<u>32,886</u>
 TOTAL REVENUE	 <u>11,268,720</u>

EXPENSES

Administrative Expenses	2,734,582
Tenant Services	3,647
Utilities Expenses	828,249
Ordinary Maintenance and Operation	2,038,489
General Expenses	299,157
Housing Assistance Expenses	4,483,232
Protective Services	203,331
Depreciation Expense	<u>2,249,255</u>
 TOTAL EXPENSES	 <u>12,839,942</u>

EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	 (1,571,222)
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Beginning Retained Earnings	7,099,418
Adjustment to Restate Beginning Retained Earnings	<u>3,147,277</u>

Ending Retained Earnings	<u>8,675,473</u>
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Beginning Contributed Capital	17,068,446
Adjustment to Restate Beginning Contributed Capital	<u>(3,147,277)</u>

Ending Contributed Capital	<u>13,921,169</u>
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ENDING FUND EQUITY	<u><u>\$22,596,642</u></u>
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The accompanying notes to the general purpose financial statements are an integral part of these statements.

Butler Metropolitan Housing Authority
 Combined Statement of Cash Flows
 Proprietary Fund Type
 Enterprise Fund
 For the Year Ended June 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Operating Income/(Loss)	(\$1,571,222)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	2,249,255
- (Increases) Decreases in Accounts Receivable – HUD	649,852
- (Increases) Decreases in Accounts Receivable - Miscellaneous	(70,188)
- (Increases) Decreases in Accounts Receivable – Tenants	(68,765)
- (Increases) Decreases in Accounts Receivable – PHA Projects	(18,544)
- (Increases) Decreases in Allowance for Doubtful Account	(38,974)
- (Increases) Decreases in Prepaid Expenses	(42,959)
- (Increases) Decreases in Inventory	(24,977)
- Increases (Decreases) Accounts Payable	232,913
- Increases (Decreases) Accounts Payable HUD	(540)
- Increases (Decreases) Accrued Compensated Absences	74,065
- Increases (Decreases) Accrued Wages and Payroll Taxes	5,135
- Increases (Decreases) Tenant Security Deposits	(11,288)
- Increases (Decreases) Deferred Grant Revenue	(370,540)
- Increases (Decreases) FSS Escrow Payable	10,261
Total Adjustments	2,574,706
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,003,484
CASH FLOWS FROM INVESTING ACTIVITIES:	
Cash Transfer from Investment Account	1,421,603
Investment in Fixed Assets	(1,379,527)
NET CASH USED IN INVESTING ACTIVITIES	42,076
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,045,560
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,733,309
CASH AND CASH EQUIVALENTS - END OF YEAR	\$2,778,869

The accompanying notes to the general purpose financial statements are an integral part of these statements.

BUTLER METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

The financial statements of the Butler Metropolitan Housing Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The Butler Metropolitan Housing Authority was created under the Ohio Revised Code, Section 3735.27. The Authority contracts with the United States Department of Housing and Urban Development (HIJD) 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 to operate.

The accompanying general purpose financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement 14, the Financial Reporting Entity, in that the financial statements include all organizations, activities and functions for which the Authority is financially accountable. This report includes all activities considered by management to be part of the Authority by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

BUTLER METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government a) is entitled to the organization's resources; b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or c) is obligated in some manner for the debt of the organization.

Management believes the financial statements included in this report represent all of the funds of the Authority over which the Authority is financially accountable.

Fund Accounting

The Authority uses the proprietary fund to report on its financial position and the results of its operations for the Section 8 programs. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into three categories: governmental, proprietary and fiduciary. The Authority uses the proprietary category for its programs.

Proprietary Fund Types

Proprietary funds are used to account for the Authority's ongoing activities, which are similar to those found in the private sector. The following is the proprietary fund type:

Enterprise Fund - This fund is used to account for the operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the

BUTLER METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

period incurred. Pursuant to GASB Statement No. 20 Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Investments

The provisions of the HUD Regulations restrict investments. Investments are valued at market value. Interest income earned in fiscal year ending June 30, 2002 totaled \$326,045.

Fixed Assets

Fixed assets are stated at cost and depreciation is computed using the straight-line method over an estimated useful life of the assets. The cost of normal maintenance and repairs, that do not add to the value of the asset or materially extend the asset life, are not capitalized.

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.

Compensated Absences

The Authority accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. All employees who meet the termination policy of the Authority for years of service are included in the calculation of the compensated absence accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: (1) the employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event

BUTLER METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

that is outside the control of the employer and employee. (2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

In the proprietary fund, the compensated absences are expensed when earned with the amount reported as a fund liability.

Capital Contributions

This represents contributions made available by HUD with respect to all federally aided projects under an annual contribution contract.

Budgetary Accounting

The Authority annually prepares its budget as prescribed by the Department of Housing and Urban Development. This budget is submitted to the Department of Housing and Urban Development and once approved is adopted by the Board of the Housing Authority.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

NOTE 2: CASH AND INVESTMENTS

Deposits – The PHA deposits are categorized to give an indication of the level of risk assumed by the PHA at fiscal year end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the PHA or by its agent in the PHA's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the PHA's name.

Category 3 – Uncollateralized.

BUTLER METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 2: CASH AND INVESTMENTS (Continued)

Deposits, categorized by level of risk, are:

DESCRIPTION	BANK	CATEGORY			CARRYING AMOUNT
	BALANCE	1	2	3	
Cash and Cash Equivalents	\$2,795,799	\$794,736	\$2,001,063	\$-0-	\$2,778,869
Investments	3,350,947	409,014	2,941,933	-0-	3,408,725
Total Deposits	<u>\$6,146,746</u>	<u>\$1,203,750</u>	<u>\$4,942,996</u>	<u>\$-0-</u>	<u>\$6,187,594</u>

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 PHA investments are categorized to give an indication of the level of risk assumed by the PHA at fiscal year end. The categories are described as follows:

Category 1 – Insured, registered, or securities held by the PHA or its agent in the PHA’s name.

Category 2 – Uninsured and unregistered, with securities held by the counterparty’s trust department or agent in the PHA’s name.

Category 3 – Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the PHA’s name.

The PHA’s nonnegotiable certificates of deposit are classified as investments on the balance sheet but are considered as deposits for GASB 3 purposes. Therefore, the categories described above do not apply.

NOTE 3: NOTE TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

The accompanying Schedule of Federal Awards expenditures is a summary of the activity of the Authority’s federal awards programs. The schedule has been prepared on the accrual basis of accounting.

BUTLER METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(CONTINUED)

NOTE 4: 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 ending June 30, 2002 the Authority maintains comprehensive insurance coverage with private carriers for health, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

Settled claims have not exceeded this coverage in any of the last three years. There has been no significant reduction in coverage from last year.

NOTE 5: FIXED ASSETS

The following is a summary:

Land	\$3,147,250
Buildings	52,114,984
Furniture, Machinery and Equipment	1,228,864
Leasehold Improvement	172,618
Construction in Progress	2,330,009
Total Fixed Assets	58,993,725
Accumulated Depreciation	(42,730,952)
Net Fixed Assets	\$16,262,773

The following is a summary of changes:

	Balance 06/30/01	Additions	Deletion	Balance 06/30/02
Land	\$3,147,250	\$-0-	\$-0-	\$3,147,250
Buildings	51,008,329	1,106,655	-0-	52,114,984
Furnt, Mach. and Equip.	1,163,840	98,198	33,174	1,228,864
Leasehold Improvement	150,885	21,733	-0-	172,618
Construction in Progress	2,177,068	2,330,009	2,177,068	2,330,009
Total Fixed Assets	\$57,647,372	\$3,556,595	\$2,210,242	\$58,993,725

The depreciation expense for the year ended June 30, 2002 was \$2,249,255.

BUTLER METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(CONTINUED)

**NOTE 6: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

All employees participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple employer public employee retirement system administered by the Public Employee Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report, which may be obtained by writing to the Public Employee Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2000 employer pension contribution rate for the Authority was 6.54 percent of cover payroll, reduced from 9.35 percent. In 2001 the required rate is back to 9.35 percent. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Authority's required contributions to PERS for the years ended June 30, 2002, 2001 and 2000 were \$63,615, \$63,268, and \$57,617, respectively. The full amount has been contributed for 2001 and 2000. Ninety-one percent has been contributed for 2002, with the remainder being reported as a liability with the enterprise fund.

**NOTE 7: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

The Public Retirement System of Ohio (PERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care based on authority granted by State statute. The 2000 employer contribution rate was 10.84 percent of covered payroll; 4.30 percent was the portion that was used to fund health care for 2000. For 1999, the contribution rate was 13.55 percent of covered payroll; 4.2 percent was the portion that was used to fund health care.

BUTLER METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(CONTINUED)

**NOTE 7: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM** (Continued)

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually for inflation (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets.

The number of active contributing participants was 401,339. The Authority's actual contributions for 2000-2001, which were used to fund OPEB, were \$52,957. The actual contribution and the required contribution amounts are the same. PERS's net assets available for payments of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

For 2000, PERS elected to return to an actuarially pre-funded type of disclosure because it is a better presentation of PERS's actual funding methodology. Since 1997, disclosures had been based on a pay-as-you-go funding basis.

Butler Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2002

FDS Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Voucher	Section 8 Rental Certificate Program	Capital Fund Program	Comp. Grant Program	Drug Elimination Program	Total
ASSETS:								
CURRENT ASSETS:								
Cash:								
111	Cash – unrestricted	\$0	\$2,612,210	\$0	\$0	\$0	\$0	\$2,612,210
114	Cash – tenant security deposits	166,659	0	0	0	0	0	166,659
100	Total cash	<u>166,659</u>	<u>2,612,210</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,778,869</u>
Accounts and notes receivable:								
121	Accounts receivable – PHA projects	0	18,893	0	0	0	0	18,893
122	Accounts receivable – HUD other projects	0	206,111	0	20,930	0	0	227,041
125	Accounts receivable – miscellaneous	70,188	0	0	0	0	0	70,188
126	Accounts receivable – tenant dwelling rent	198,482	0	0	0	0	0	198,482
126	Allowance for doubtful accounts	(143,758)	0	0	0	0	0	(143,758)
120	Total receivable, net of allowances for doubtful accounts	<u>124,912</u>	<u>225,004</u>	<u>0</u>	<u>20,930</u>	<u>0</u>	<u>0</u>	<u>370,846</u>
131	Investments – unrestricted	3,398,464	10,261	0	0	0	0	3,408,725
142	Prepaid expenses and other assets	151,852	0	0	0	0	0	151,852
143	Inventories	110,697	0	0	0	0	0	110,697
144	Interprogram due from	2,088,488	0	0	0	0	0	2,088,488
150	TOTAL CURRENT ASSETS	<u>6,041,072</u>	<u>2,847,475</u>	<u>0</u>	<u>20,930</u>	<u>0</u>	<u>0</u>	<u>8,909,477</u>

Butler Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2002

FDS Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Voucher	Section 8 Rental Certificate Program	Capital Fund Program	Comp. Grant Program	Drug Elimination Program	Total
NONCURRENT ASSETS:								
Fixed assets:								
161	Land	3,147,250	0	0	0	0	0	3,147,250
162	Buildings	44,820,021	0	0	0	7,294,963	0	52,114,984
164	Furniture, equipment & machinery – administration	536,032	27,245	0	0	439,530	226,057	1,228,864
165	Leasehold Improvements	0	0	0	0	172,618	0	172,618
166	Accumulated depreciation	(40,728,724)	(5,915)	0	0	(1,937,709)	(58,604)	(42,730,952)
167	Construction in progress	0	0	0	313,741	2,016,268	0	2,330,009
160	Total fixed assets, net of accumulated depreciation	7,774,579	21,330	0	313,741	7,985,670	167,453	16,262,773
174	Other Assets – Ineligible Expense	150,542	75,000	0	0	0	0	225,542
180	TOTAL NONCURRENT ASSETS	7,925,121	96,330	0	313,741	7,985,670	167,453	16,488,315
190	TOTAL ASSETS	\$13,966,193	2,943,805	0	334,671	7,985,670	167,453	\$25,397,792
LIABILITIES AND EQUITY:								
LIABILITIES								
CURRENT LIABILITIES								
311	Bank Overdraft	\$149,080	\$0	\$0	\$0	\$0	\$0	\$149,080
312	Accounts payable < 90 days	108,447	0	0	0	0	0	108,447
321	Accrued wages and payroll taxes payable	17,657	0	0	0	0	0	17,657
322	Accrued compensated absences	69,134	7,832	0	0	0	0	76,966

Butler Metropolitan Housing Authority
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type – Enterprise Fund
June 30, 2002

FDS Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Voucher	Section 8 Rental Certificate Program	Capital Fund Program	Comp. Grant Program	Drug Elimination Program	Total
341	Tenant security deposit	162,957	0	0	0	0	0	162,957
342	Deferred revenue	7,708	0	0	0	0	0	7,708
345	Other current liabilities	0	10,261	0	0	0	0	10,261
347	Interprogram due to	0	2,067,558	0	20,930	0	0	2,088,488
310	TOTAL CURRENT LIABILITIES	514,983	2,085,651	0	20,930	0	0	2,621,564
354	Accrued Compensated Absences – Non Current	161,312	18,274	0	0	0	0	179,586
350	TOTAL NONCURRENT LIABILITIES	161,312	18,274	0	0	0	0	179,586
300	TOTAL LIABILITIES	676,295	2,103,925	0	20,930	0	0	2,801,150
EQUITY:								
Contributed Capital:								
504	Net HUD PHA contributions	7,650,777	0	0	0	5,957,579	0	13,608,356
507	Other contributions	312,813	0	0	0	0	0	312,813
508	Total contributed capital	7,963,590	0	0	0	5,957,579	0	13,921,169
510	Fund Balance Reserved for Capital Activities	239,151	0	0	0	0	0	239,151
512	Undesignated fund balance/retained earnings	5,087,157	839,880	0	313,741	2,028,091	167,453	8,436,322
513	TOTAL EQUITY	13,289,898	839,880	0	313,741	7,985,670	167,453	22,596,642
600	TOTAL LIABILITIES AND EQUITY	\$13,966,193	\$2,943,805	\$0	\$334,671	\$7,985,670	\$167,453	\$25,397,792

Butler Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted to REAC
Proprietary Fund Type – Enterprise Fund
Year Ended June 30, 2002

FDS Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Voucher	Section 8 Rental Certificate Program	Capital Fund Program	Comp. Grant Program	Drug Elimination Program	Total
REVENUE:								
703	Net tenant rental revenue	\$1,435,866	\$0	\$0	\$0	\$0	\$0	\$1,435,868
704	Tenant revenue - other	32,121	0	0	0	0	0	32,121
705	Total tenant revenue	<u>1,467,987</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,467,987</u>
706	HUD PHA grants	2,291,231	5,022,773	0	470,696	116,262	217,380	8,118,342
706.1	Capital Grants	0	0	0	313,741	967,587	42,132	1,323,460
711	Investment income - unrestricted	224,213	101,832	0	0	0	0	326,045
715	Other revenue	22,386	0	0	0	0	0	22,386
716	Gain/Loss on Sale of Fixed Assets	10,500	0	0	0	0	0	10,500
700	TOTAL REVENUE	<u>4,016,317</u>	<u>5,124,605</u>	<u>0</u>	<u>784,437</u>	<u>1,083,849</u>	<u>259,512</u>	<u>11,268,720</u>
EXPENSES:								
Administrative:								
911	Administrative salaries	827,780	342,610	0	0	0	0	1,170,390
912	Auditing fees	5,727	9,500	0	0	0	0	15,227
915	Employee benefit contributions- administrative	301,155	106,991	0	0	0	0	408,146
916	Other operating- administrative	456,190	82,900	0	467,049	116,262	18,418	1,140,819
922	Relocation costs	0	0	0	3,647	0	0	3,647

Butler Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted to REAC
Proprietary Fund Type – Enterprise Fund
Year Ended June 30, 2002

FDS Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Voucher	Section 8 Rental Certificate Program	Capital Fund Program	Comp. Grant Program	Drug Elimination Program	Total
Utilities:								
931	Water	125,717	0	0	0	0	0	125,717
932	Electricity	359,486	0	0	0	0	0	359,486
933	Gas	173,663	0	0	0	0	0	173,663
938	Other utilities	169,383	0	0	0	0	0	169,383
Ordinary maintenance & operation:								
941	Ordinary maintenance and operations – labor	320,602	0	0	0	0	0	320,602
942	Ordinary maintenance and operations - materials	166,632	0	0	0	0	0	166,632
943	Ordinary maintenance and operations - contract costs	1,388,115	46,024	0	0	0	0	1,434,139
945	Employee Benefit contributions-Ordinary maintenance	117,116	0	0	0	0	0	117,116
952	Protective services - other contract costs	4,071	297	0	0	0	198,963	203,331
General expenses:								
961	Insurance premiums	160,949	0	0	0	0	0	160,949
962	Other general expenses	1,458	483	0	0	0	0	1,941
964	Bad debit - tenant rents	134,688	0	0	0	0	0	134,688
968	Severance Expense	1,579	0	0	0	0	0	1,579
969	TOTAL OPERATING EXPENSES	<u>4,714,311</u>	<u>588,805</u>	<u>0</u>	<u>470,696</u>	<u>116,262</u>	<u>217,381</u>	<u>6,107,455</u>
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	<u>(697,994)</u>	<u>4,535,800</u>	<u>0</u>	<u>313,741</u>	<u>967,587</u>	<u>42,131</u>	<u>5,161,265</u>

Butler Metropolitan Housing Authority
FDS Schedule Submitted to REAC
Proprietary Fund Type – Enterprise Fund
Year Ended June 30, 2002

FDS Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Voucher	Section 8 Rental Certificate Program	Capital Fund Program	Comp. Grant Program	Drug Elimination Program	Total
973	Housing assistance payments	0	4,483,232	0	0	0	0	4,483,232
974	Depreciation expense	1,569,070	5,790	0	0	649,524	24,871	2,249,255
900	TOTAL EXPENSES	6,283,381	5,077,827	0	470,696	765,786	242,252	12,839,942
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) EXPENSES	(2,267,064)	46,778	0	313,741	318,063	17,260	(1,571,222)
1103	Beginning equity	15,556,962	494,981	298,121	0	7,667,607	150,193	24,167,864
1104	Prior period adjustments and equity transfers	0	298,121	(298,121)	0	0	0	0
	ENDING RETAINED EARNINGS	\$13,289,898	\$839,880	\$0	\$313,741	\$7,985,670	\$167,453	\$22,596,642

Butler Metropolitan Housing Authority
Combining Statement of Revenue, Expenses and Change In Retained Earnings
FDS Schedule Submitted to REAC
Proprietary Fund Type – Enterprise Fund
Year Ended June 30, 2002

FDS Line Item No.	Account Description	Low Rent Public Housing	Housing Choice Voucher	Section 8 Rental Certificate Program	Capital Fund Program	Comp. Grant Program	Drug Elimination Program	Total
MEMO ACCOUNT INFORMATION:								
1112	Depreciation add back	1,569,070	5,790	0	0	649,524	24,871	2,249,255
1113	Maximum annual contributions commitment (per ACC)	0	4,724,822	0	0	0	0	4,724,822
1114	Prorate maximum annual contributions applicable to a Period of less than Twelve Months	0	0	0	0	0	0	0
1115	Contingency reserve, ACC program reserve	0	93,520	0	0	0	0	93,520
1116	Total annual contributions available	0	4,818,342	0	0	0	0	4,818,342
1120	Unit months available	14,010	11,520	0	0	0	0	25,530
1121	Number of unit months leased	13,413	11,108	0	0	0	0	24,521

Butler Metropolitan Housing Authority
PHA's Statement and Certification of Actual Modernization Cost
June 30, 2002

Comprehensive Grant Program Number OH10P01570596

1. The Actual Modernization Costs are as follows:

Funds Approved	\$1,793,680
Funds Expended	<u>1,793,680</u>
Excess (Deficiency) of Funds Approved	<u><u>\$-0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The actual modernization cost certification was signed and filed on December 12, 2001.
4. The final costs on the certification agree to the Authority's records.

Butler Metropolitan Housing Authority
PHA's Statement and Certification of Actual Drug Elimination Costs
June 30, 2002

Drug Elimination Program Number OH10DEP0150198

1. The Program Costs are as follows:

Funds Approved	\$338,520
Funds Expended	<u>338,520</u>
Excess (Deficiency) of Funds Approved	<u><u>\$-0-</u></u>

2. All costs have been paid and there are no outstanding obligations.
3. The Final Financial Status Report was signed and filed on January 30, 2002.
4. The final costs on the certification agree to the Authority's records.

Butler Metropolitan Housing Authority
PHA's Statement and Certification of Actual Drug Elimination Costs
June 30, 2002

Drug Elimination Program Number OH10DEP0150199

1. The Program Costs are as follows:

Funds Approved	\$286,362
Funds Expended	<u>286,362</u>
Excess (Deficiency) of Funds Approved	<u><u>\$-0-</u></u>

5. All costs have been paid and there are no outstanding obligations.
6. The Final Financial Status Report was signed and filed on January 30, 2002.
7. The final costs on the certification agree to the Authority's records.

Butler Metropolitan Housing Authority
 Schedule of Federal Award Expenditures
 For the Year Ended June 30, 2002

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
Low Rent Public Housing	14.850a	\$2,291,231
Drug Elimination Program	14.854	259,512
Public Housing Comprehensive Grant Program	14.859	1,083,849
Section 8 Rental Housing Choice Voucher	14.871	5,022,773
Public Housing Capital Fund Program	14.872	<u>784,437</u>
Total Expenditure of Federal Award		<u><u>\$9,441,802</u></u>

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SALVATORE CONSIGLIO, CPA, INC.

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

Board of Directors
Butler Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the general purpose financial statements of the Butler Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2002, and have issued my report thereon dated November 8, 2002. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Butler Metropolitan Housing Authority, Ohio's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance that I have reported to management of Butler Metropolitan Housing Authority, Ohio, in a separate letter dated November 8, 2002.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Butler Metropolitan Housing Authority, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I have consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in

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the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Butler Metropolitan Housing Authority ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items GAS-2002-1 and GAS-2002-9.

A material weakness is a condition in which the design or operation of one or more of the internal component does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation the financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider items GAS-2002-4 and GAS-2002-8 to be material weaknesses. I have also noted other matters involving the internal control over financial reporting, which I have reported to management of Butler Metropolitan Housing Authority, Ohio's in a separate letter dated October 3, 2002.

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



Salvatore Consiglio, CPA, Inc.

November 8, 2002

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SALVATORE CONSIGLIO, CPA, INC.

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

Board of Directors
Butler Metropolitan Housing Authority

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

I have audited the compliance of the Butler Metropolitan Housing Authority, Ohio, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. Butler Metropolitan Housing Authority, Ohio major federal programs are identified in the Summary of Auditor's result 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 Butler Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Butler Metropolitan Housing Authority, Ohio's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis; evidence about the Butler Metropolitan Housing Authority, Ohio's compliance with those requirements and performing such other procedures, as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Butler Metropolitan Housing Authority, Ohio's compliance with those requirements.

In my opinion, Butler Metropolitan Housing Authority, Ohio, 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 June 30, 2002.

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Internal Control Over Compliance

The management of Butler Metropolitan Housing Authority, Ohio 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 my audit, I considered Butler Metropolitan Housing Authority, Ohio's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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. I noted no matters involving the Internal control over compliance and its operation that I considered to be material weaknesses.

This report is intended for the information of the Board of Directors, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.



Salvatore Consiglio, CPA, Inc.

November 8, 2002

Butler Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 June 30, 2002

1. SUMMARY OF AUDITOR'S RESULTS
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Type of Financial Statement Opinion	Unqualified
Was there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Was 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)?	No
Was there any material internal control weakness conditions reported for major federal programs?	No
Was there any other reportable internal control weakness conditions reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unqualified
Are there any reportable findings under § .510?	No
Major Programs (list):	CFDA #14.850, 14.859, 14.871- Low Rent Public Housing, Housing Choice Voucher & Comp. Grant
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Audit?	Yes

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
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FINDING NUMBER	GAS-2002 -1
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Cost Allocation Plan

The result of audit procedures revealed that the PHA was allocating costs to various programs based on a time study of staff work performed. However, this time study has not been updated in several years. Therefore, I was not able to conclude that the percentage of distribution to the various programs is documented and supported.

Recommendation:

The basis used for allocating costs is acceptable. However, the time study supporting the percentage of staff allocated to the various programs must be performed periodically, documented, and supported to show how the distribution rates were arrived.

PHA Response

Staff is currently working on updating the time study.

FINDING NUMBER	GAS-2002 -2
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Accounting System

The PHA accounting records are setup to follow the old HUD accounting. The chart of account has not been updated to reflect the new HUD accounts in accordance with REAC instructions. In addition, I also have noted the following in the accounting records:

- 1.) Year-end GAAP conversion adjustments performed by Fee Accountant were not posted in the accounting records.
- 2.) The general ledger still shows account balances for items that should have been written off:
 - Project Notes payable
 - Accrued interest payable on project notes
 - Unreserved fund balance
 - Cumulative HUD contributions
 - Project account balances

This can result in errors in preparing the financial statements. Also it required several additional year-end adjustments by Fee Accountant to convert these balances to the REAC line items.

Recommendation:

Management is responsible for the preparation of the financial statements. Therefore, all adjustments prepared by the Fee Accountant should be reviewed and approved. Once approved, then it should be posted in the accounting records. Also, it is recommended that the Project Notes Payable and the Accrued Interest Payable be written off, since these are not true liabilities that PHA will be required to pay.

PHA Response:

Management is working with Fee Accountant to setup the accounting system in accordance with REAC revised chart of account.

FINDING NUMBER	GAS-2002 -3
----------------	-------------

Written Fiscal Procedural Manual

The PHA does not maintain a written fiscal procedural manual. The PHA did have certain written policies and procedural in place, but not a manual that documents the

day to day operation of the fiscal department. This manual will assure consistent treatment of accounting transactions from year to year and also can be very helpful in training new personnel.

Recommendation:

A written procedural manual should be established.

PHA Response:

A written procedural manual will be prepared.

FINDING NUMBER	GAS-2002 - 4
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Contracts

The result of audit procedural over contracts awarded revealed the following:

- One contract did not have Board Resolution authorizing the award.
- One contract did not have proper signature from management.

This can result in the PHA been obligated for unauthorized expenditures.

Recommendation:

The PHA should consider creating a centralized purchasing/contract department. This department is then responsible for all purchases and contractual agreements for the Agency.

PHA Response:

Management will review its system over contract awards.

FINDING NUMBER	GAS-2002 - 5
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Tenant Files

A review of Section 8 and Public Housing tenant files revealed that the files are poorly organized, making it very difficult to locate certain required information (i.e. application, copy of birth certificate or driver license). One of the Public Housing file examined showed that the tenant had wages earning of \$14,001. However, on the form HUD-50058, the earnings were reported as excludible income. No explanation was provided as to why this income was excluded in the rent calculation. In addition, we also noted several errors in the Section 8 files in applying the utility allowance calculation. These errors can result in under or over payment in housing assistance.

Recommendation

The PHA should consider implementing a review process of the tenant files to ascertain that all required information is obtained and documented in the file. Also, the files should be organized by sections or dividers to make it easier to locate certain information and to identify the annual re-certification.

PHA Response:

Management is currently reviewing various options in implementing the tenant files so that information can be easily located.

FINDING NUMBER	GAS-2002 - 6
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Management and Efficiency Study

Management contracted with a Consultant to perform a study of management efficiency and performance for the accounting and leasing departments. The study revealed several weakness and inefficiencies. Most of the items identified in the study appear to be related to lack of training and proper system of internal controls.

Recommendation:

Management should evaluate the result of the study and consider implementing the recommendation proposed.

PHA Response:

Management is currently reviewing the report and is considering the recommendations.

FINDING NUMBER	GAS-2002 - 7
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Year End Accrual Adjustments

The result of audit procedures over the year-end GAAP conversion revealed several errors resulting in understatements of Accounts Payable and Payroll Liabilities at June 30, 2002. This can lead in misstatement of financial statements.

Recommendation:

Due care must be exercised at year-end to identify all GAAP conversion adjustments. A checklist should be prepared and reviewed to ascertain that all required adjustments have been identified and reported.

PHA Response:

Controls will be implemented to ascertain that all year end adjustments are properly reported.

FINDING NUMBER	GAS-2002 - 8
----------------	--------------

Purchase Order

A review of contracts awarded revealed that the PHA issued several purchase orders to the same Contractor for \$750 each. All of the Purchase Orders were on the same date or close to it. One specific contractor had 78 Purchase Order at \$750 each for a total of \$58,500. This could be interpreted as a mean to circumvent internal controls over procurement procedures and can result in compliance citations.

Recommendation

Management should review how purchase orders are issued to ascertain that proper procurement procedures are followed.

PHA Response:

Management will review process for awarding purchase order and contracts.

FINDING NUMBER	GAS-2002 - 9
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PHAS Report

No documentation was available to support information reported to HUD as part of the Public Housing Management Assessment System (PHAS). Management was not able to explain how the report was compiled.

Recommendation

All documentation must be obtained to support what was reported to HUD.

PHA Response:

The staff that prepared the report was not available during the audit. However, proper supporting documentation will be obtained for future reports.

3. FINDINGS REALTED TO FEDERAL AWARDS
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There are no Findings or questioned costs for the year ended June 30, 2002.

Butler Metropolitan Housing Authority
Schedule of Prior Audit Findings
June 30, 2002

The audit report for the fiscal year ending June 30, 2001 contained not audit finding.



**Auditor of State
Betty Montgomery**

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BUTLER METROPOLITAN HOUSING AUTHORITY

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 4, 2003**