

Portsmouth Metropolitan Housing Authority

General Purpose Financial Statements

For the Year Ended June 30, 2003



**Auditor of State
Betty Montgomery**

Board of Directors
Portsmouth Metropolitan Housing Authority
Portsmouth, Ohio

We have reviewed the Independent Auditor's Report of the Portsmouth Metropolitan Housing Authority, Scioto County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period July 1, 2002 through June 30, 2003. 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 Portsmouth Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

March 22, 2004

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PORTMOUTH METROPOLITAN HOUSING AUTHORITY
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2003

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SALVATORE CONSIGLIO, CPA, INC. E-mail: sconsiglio@aol.com

Independent Auditors' Report

Board of Directors
Portsmouth Metropolitan Housing Authority

I have audited the accompanying general-purpose financial statements of Portsmouth Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2003. These general-purpose financial statements are the responsibility of the Portsmouth 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 generally accepted in the United States of America and the standards 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 general-purpose 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 Portsmouth Metropolitan Housing Authority, Ohio, as of June 30, 2003, and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United State of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 4, 2004, on my consideration of the Portsmouth 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 my audit.

My Audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Portsmouth Metropolitan Housing Authority taken as a whole. 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 accompanying Financial Data Schedule is also presented for the purpose of additional analysis as required by the U.S. Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "Salvatore Consiglio". The signature is written in black ink and is positioned above a horizontal line.

Salvatore Consiglio, CPA, Inc.

January 4, 2004

Portsmouth Metropolitan Housing Authority
 Combined Balance Sheet
 Proprietary Fund Type
 Enterprise Fund
 June 30, 2003

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$3,614,227
Accounts Receivable - Net of Allowance	666,786
Due from other programs	581,711
Inventories - net of allowance	25,546
Deferred charges and other assets	104,991

TOTAL CURRENT ASSETS **4,993,261**

Fixed Assets - Net of Accumulated Depreciation **23,894,116**

TOTAL ASSETS **\$28,887,377**

LIABILITIES AND FUND EQUITY

CURRENT LIABILITES:

Accounts Payable	\$50,519
Due to other programs	581,711
Intergovernmental payables	63,472
Accrued Wages and Payroll Taxes Payable	79,942
Tenant security deposits	112,911
Deferred credit and other liabilities	541,552

TOTAL CURRENT LIABILITES **1,430,107**

NONCURRENT LIABILITES:

Long-term debt, net of current	2,212,524
Other long-term liabilities	190,010

TOTAL NONCURRENT LIABILITES **2,402,534**

TOTAL LIABILITES **3,832,641**

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

Portsmouth Metropolitan Housing Authority
Combined Balance Sheet
Proprietary Fund Type
Enterprise Fund
June 30, 2003

EQUITY:	
Contributed Capital	\$17,736,502
Unreserved Fund	<u>7,318,234</u>
TOTAL EQUITY	<u>25,054,736</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$28,887,377</u>

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

Portsmouth Metropolitan Housing Authority
 Combined Statement of Revenue, Expenses and Changes in Equity
 Proprietary Fund Type
 Enterprise Fund
 For the Year Ended June 30, 2003

REVENUE

Tenant Revenue	\$1,190,642
Grant Revenue	7,655,141
Interest Earned	68,136
Other Income	198,924
	198,924
TOTAL REVENUE	9,112,843

EXPENSES

Administrative Expense	1,362,934
Tenant Services	85,509
Utilities Expenses	808,311
Maintenance	1,397,260
Protective Services	158,296
General Expenses	200,720
Housing Assistance Expenses	2,124,689
Depreciation Expense	2,061,791
Other Expense	32,955
Interest Expense	158,774
	158,774
TOTAL EXPENSES	8,391,239

EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES	721,604
--	----------------

OTHER FINANCING SOURCES (USES)

Operating transfers in	646,480
Operating transfers out	(646,480)
	(646,480)
TOTAL OTHER FINANCING SOURCES (USES)	0

EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENSES AND OTHER FINANCING USES	721,604
BEGINNING EQUITY	24,292,024
PRIOR PERIOD ADJUSTMENTS	41,108
	41,108
ENDING EQUITY	\$25,054,736

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

Portsmouth Metropolitan Housing Authority
 Combined Statement of Cash Flows
 All Fund Types
 For the Year Ended June 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from tenants and grantor	\$8,529,241
Cash paid to suppliers and employees	(6,238,497)
Interest Paid	(158,774)
Interest received	80,181
	2,212,151
Net cash provided by operating activities	2,212,151

CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:

Property and equipment purchased	(2,130,021)
Proceeds from Sale of Assets	745
Payment of long-term borrowings	(519,279)
	(2,648,555)
Net cash used from capital and financing activities	(2,648,555)
Net Increase (Decrease) in Cash	(436,404)
Cash and cash equivalents – Beginning of Year	4,050,631
Cash and cash equivalents – End of Year	\$3,614,227

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

Portsmouth Metropolitan Housing Authority
 Combined Statement of Cash Flows
 All Fund Types
 For the Year Ended June 30, 2003

Reconciliation of Net Income to Cash Provided by Operating Activities:	
Net Income	\$721,604
Adjustments to Reconcile Net Income to net Cash Provided by Operating Activities:	
Depreciation	2,061,791
Bad Debts	7,960
Loss on disposal of assets	6,290
Casualty Losses-Non-Capitalized	32,955
Increase in accounts receivable	(575,297)
Decrease in accrued interest receivable	12,045
Increase in prepaid expenses	(12,768)
Increase in Inventory	(4,555)
Increase in Accounts Payable	(62,486)
Decrease in accrued expenses	46,388
Decrease in other liabilities	(37,629)
Increase in tenant security deposit	10,300
Adjustment to Reconcile Cash Flows	5,553
Net Cash provided by operating activities	\$2,212,151

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

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003

NOTE 1: REPORTING ENTITY

Introduction

The Portsmouth Metropolitan Housing Authority was established for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives. The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering the low-income housing program under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities to make grants to assist the local housing authorities in financing the acquisition, construction and/or leasing of housing units and to make annual contributions (subsidies) to the local housing authorities for the purpose of maintaining the low-rent character of the local housing program.

As required by accounting principles generally accepted in the United State of America, the general purpose financial statements of the reporting entity include those of the Portsmouth Metropolitan Housing Authority and any component units. Component units are separate legal entities that; elected officials of a primary government are financially accountable for the entity or the nature and significance of the relationship between the entity and a primary government are such that to exclude the entity from the financial reporting entity would render the general purpose financial statements misleading or incomplete. Based upon the application of these criteria, this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year. Furthermore, the Authority is not included in any other reporting entity on the basis of such criteria. A summary of each program administered by the Authority included in the financial statements is provided to assist the reader in interpreting the general purpose financial statements. These programs constitute all programs subsidized by HUD and operated by the Authority.

Description of programs

A. Public Housing Program

The pubic housing program is designed to provide low-cost housing within the Scioto County. Under this program, HUD provides funding via an annual contribution contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

POSTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)

NOTE 1: REPORTING ENTITY (Continued)

B. Capital Fund Program

The capital fund program provides funds annually, via a formula, to Public Housing Agencies for capital and management activities, including modernization and development housing.

C. Housing Choice Voucher Program

The Housing Choice Voucher Program was authorized by Section 8 of the National Housing Act and provides housing assistance payments to private, not-for-profit or public landlords to subsidize rentals for low-income persons.

D. Contract Administration Program

The Authority is one of nine agencies participating in a program which manages the reporting requirements for Housing Authorities. The Authority earns a management fee plus incentives for administering approximately 49 contracts.

E. Public Housing Drug Elimination Program

The Authority administers the Public Housing Drug Elimination Program to provide its communities with services such as community policing, drug education intervention, and drug prevention programs for youths. Funding for the services is provided by grants from HUD and the services from local youth organizations.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The Authority has created a number of funds within each enterprise fund. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The funds of the Authority are all considered Proprietary Fund Types. The funds included in this category are as follows:

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **PHA Owned Housing Fund**
This Fund accounts for all activities and projects of the Public Housing Program (described previously) including Public Housing, Capital Fund and Drug Elimination Grants. The Authority either sets up separate funds within the PHA Owned Housing Fund for each program or assigns a particular set of general ledger accounts in order to account for income and expenses of each program separately. All sub-accounts or funds are combined to produce the financial statements of the Public Housing Agency Owned Fund.

- **Voucher Fund**
This fund accounts for the rental assistance program more fully described under the “Housing Choice Voucher Program,” in note 1. It also includes the Section 8 New Construction Program.

- **Business Activities Fund**
This fund accounts for fees earned rendering contract administration services to outside agencies.

- **Other Federal Program**
The Other Federal Program accounts for the activities for the Energy Performance Contract.

All proprietary funds are accounted for using the accrual basis of accounting. In applying the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds, the Authority applies all GASB pronouncements and all Financial Accounting Standards Board pronouncements that do not conflict with or contradict GASB Pronouncements.

The enterprise method is used to account for those operations that are financed and operated in a manner similar to private business, or where the board has decided that the determination of revenues earned, costs, incurred, and/or net income is necessary for management accountability. The intent of the governing body is that the costs (expenses excluding depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

C. Cash and Cash Equivalents

Cash and cash equivalents includes all cash balances and highly liquid investments with a maturity of three months or less. The Authority places its temporary cash investments with high credit quality financial institutions. Amounts in excess of FDIC insurance limits are fully collateralized.

D. Inventory

The Authority's inventory is comprised of maintenance materials and supplies. Inventory is valued at cost and the Authority uses the first-in, first-out (FIFO) flow assumption in determining cost.

The consumption method is used to record inventory. Under this method, the acquisition of materials and supplies is recorded initially in inventory accounts and charged as expenditures when used.

E. Fixed Assets

Fixed assets are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of three years to forty years. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized.

F. Income Taxes

No provision for income taxes is recorded as the Authority is a non-profit, tax exempt entity under the Internal Revenue Code.

G. Budgets and Budgetary Accounting

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its Enterprise Funds receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. **Budgets and Budgetary Accounting** (Continued)

The Public Housing Program prepares its budget annually. The Board of Commissioners adopts the budget through passage of a budget resolution. Since the PHA is a high performer, it is not required to submit the report to HUD for approval.

The Voucher Program prepares annual budgets for each of the Housing Program Types using HUD form 52673 – Estimate of Total Required Contributions. The budgets are adopted by the Board of Commissioners via a budget resolution.

NOTE 3: DEPOSIT AND INVESTMENTS

The Authority is authorized by HUD to invest in time deposits, certificates of deposits and obligations of the U.S. Treasury.

The U.S. Department of HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security deposits. Obligations furnished as security must be held by the Authority or with and unaffiliated bank or trust company for the account of the Authority.

It is the Authority's policy to maintain collateralization in accordance with state and HUD requirements.

The three credit risk categories are:

- Insured or collateralized with securities held by the entity or by its agent (correspondent bank or Federal Reserve Bank) in the entity's name.
- Collateralized with securities held by the pledging financial institution trust department or agent in the entity's name.
- Uncollateralized or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the entity's name.

As of June 30, 2003, the carrying amounts of the Authority's deposits were \$3,614,227 and the bank balances were \$3,067,811. All funds are covered by the federal depository insurance or by collateral held by the Authority's agent in the Authority's name.

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)

NOTE 4: TENANT ACCOUNT RECEIVABLES

As of June 30, 2003, tenant account receivables is shown net of an allowance for doubtful accounts of \$6,744.

NOTE 5: PENSION PLAN

The Authority and its employees are members of the State of Ohio Public Employees Retirement System (O.P.E.R.S.). As a member of O.P.E.R.S., employees are required to contribute 8.5% of earnable salary. Employers are required to make contributions to the system in the amount of 13.55% of reportable payroll. The Authority's contribution for the years ended June 30, 2003, 2002, and 2001 amounted to \$195,977, \$186,758, \$143,091. These costs have been charged to the employee fringe benefit account.

NOTE 6: CAPITAL LEASE

Energy performance contract lease payable to a finance company for the acquisition and installation of energy efficient building fixtures. Amounts advanced under the lease total \$3,283,801 with repayment beginning in October, 2001. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation under the aforementioned capital lease as of June 30, 2003 amounted to \$234,045 and accumulated depreciation is \$280,608.

Future minimum lease payments under capital leases over the next several years are as follows:

	June 30, 2004	\$678,054
	2005	678,054
	2006	342,073
	2007	230,080
	2008	230,080
	Thereafter	1,207,920
		3,366,261
	Total minimum lease payments	3,366,261
	Amounts representing interest	612,185
		2,754,076
	Present value of lease payments	2,754,076
	Less: current portion	541,552
		\$2,212,524
	Capital lease, excluding current portion	\$2,212,524

PORTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)

NOTE 7: **COMPENSATED ABSENCES**

The Authority uses the vesting method for the recording of compensated absences whereas benefits are accrued as of the balance sheet date for which payment is probable.

Compensated absences are those absences for which employees will be paid, such as sick and vacation leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to benefits.

NOTE 8: **DEFERRED REVENUES**

Deferred revenues consist of HUD operating subsidies and tenants received in advance.

NOTE 9: **INTER-FUND RECEIVABLES AND PAYABLES**

At June 30, 2003 interfund receivables and (payables) consisted of the following:

Public Housing		\$ 581,695
Voucher		(22,659)
Business Activities		(16)
Drug Elimination Program		(150,131)
Capital Fund		(396,918)
Section 8 N/C		(2,519)
Energy Performance (Other Federal Program)		(9,452)
		(9,452)
 TOTAL		 \$ -0-

NOTE 10: **PRIOR PERIOD ADJUSTMENT**

Beginning retained earnings for 2002 was adjusted to reflect a correction of an error in reporting receivables in prior years. As a result, beginning receivable and retained earnings were increased by \$41,108. The adjustment had no effect on net income for 2003.

POSTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2003
(CONTINUED)

NOTE 11: ECONOMIC DEPENDENCY

Both the PHA Low Rent Housing Program and the Voucher Program are economically dependent on annual contributions and grants from HUD. Both programs operate at a loss prior to receiving the contributions and grants.

NOTE 12: RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage except for deductibles.

NOTE 13: CONTINGENCIES

HUD performed a remote review of the Capital Fund and Operating Expenditures and issued a report dated April 15, 2003. The report identified 5 findings and 9 observations. Pages 39 through 43 of the report summaries the findings and observations. The report also noted certain cost as disallowed, the actual total amount of costs disallowed was not identified therefore no adjustment is reflected in the financial statements. However, the following costs were identified and money was paid back to the Capital Fund Program. The money was paid back as follows:

1. July 25, 2003 bank transfer of \$10,737 for the demolition of property located at 1309 & 1310 Union Street.
2. November 14, 2003 bank transfer of \$1,403.74 for reimburse of travel costs in excess of travel policy.
3. August 26, 2003 bank transfer of \$11,272.76 to reimburse the Capital Fund Program from the for the following purchases made without prior authorization:
 - Fax Machine \$ 950.00
 - Utility Trailer \$ 760.00
 - Mowing equipment \$9,562.76

As of the date of this report, none of the findings or observations has been resolved by HUD.

Portsmouth Metropolitan Housing Authority

Combining Balance Sheet

FDS Schedule Submitted To REAC

All Fund Types

June 30, 2003

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Other Federal Program 1	Total
111	Cash – Unrestricted	\$19,328	\$70,026	\$975,328	\$0	\$0	\$321,027	\$0	\$0	\$1,385,709
112	Cash - Restricted - Modernization and Development	0	0	0	0	0	0	0	91,832	91,832
113	Cash - Other Restricted	0	0	33,426	0	0	8,035	0	0	41,461
114	Cash - Tenant Security Deposits	0	0	13,378	0	0	0	0	0	13,378
100	Total Cash	19,328	70,026	1,022,132	0	0	329,062	0	91,832	1,532,380
122	Accounts Receivable - HUD Other Projects	0	0	0	150,131	0	34,594	399,048	0	583,773
125	Accounts Receivable - Miscellaneous	56,507	0	0	0	0	0	0	0	56,507
126	Accounts Receivable - Tenants - Dwelling Rents	0	0	15,644	0	0	0	0	0	15,644
126.1	Allowance for Doubtful Accounts - Dwelling Rents	0	0	(8,900)	0	0	0	0	0	(8,900)
126.2	Allowance for Doubtful Accounts - Other	0	0	0	0	0	0	0	0	0
129	Accrued Interest Receivable	711	0	19,051	0	0	0	0	0	19,762
120	Total Receivables, net of allowances for doubtful accounts	57,218	0	25,795	150,131	0	34,594	399,048	0	666,786
131	Investments – Unrestricted	170,000	0	1,811,847	0	0	0	0	0	1,981,847
135	Investments - Restricted for Payment of Current Liabilities	0	0	100,000	0	0	0	0	0	100,000
142	Prepaid Expenses and Other Assets	2,053	513	95,486	0	0	4,621	0	2,318	104,991

Portsmouth Metropolitan Housing Authority

Combining Balance Sheet

FDS Schedule Submitted To REAC

All Fund Types

June 30, 2003

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Other Federal Program 1	Total
143	Inventories	0	0	25,546	0	0	0	0	0	25,546
143.1	Allowance for Obsolete Inventories	0	0	0	0	0	0	0	0	0
144	Interprogram Due From	0	0	581,695	0	0	16	0	0	581,711
150	Total Current Assets	248,599	70,539	3,662,501	150,131	0	368,293	399,048	94,150	4,993,261
161	Land	0	0	1,509,194	0	0	0	0	0	1,509,194
162	Buildings	0	0	40,971,298	0	0	0	2,696,611	3,510,676	47,178,585
163	Furniture, Equipment & Machinery - Dwellings	20,322	0	5,904	0	0	24,942	0	0	51,168
164	Furniture, Equipment & Machinery - Administration	0	0	598,570	4,231	0	0	87,514	0	690,315
165	Leasehold Improvements	0	0	0	0	0	0	0	0	0
166	Accumulated Depreciation	(9,797)	0	(25,159,267)	(530)	0	(21,791)	(63,153)	(280,608)	(25,535,146)
160	Total Fixed Assets, Net of Accumulated Depreciation	10,525	0	17,925,699	3,701	0	3,151	2,720,972	3,230,068	23,894,116
180	Total Non-Current Assets	10,525	0	17,925,699	3,701	0	3,151	2,720,972	3,230,068	23,894,116
190	Total Assets	\$259,124	\$70,539	\$21,588,200	\$153,832	\$0	\$371,444	\$3,120,020	\$3,324,218	\$28,887,377
312	Accounts Payable <= 90 Days	\$0	\$0	\$50,519	\$0	\$0	\$0	\$0	\$0	\$50,519
321	Accrued Wage/Payroll Taxes Payable	2,109	675	52,442	0	0	6,079	2,130	0	63,435

Portsmouth Metropolitan Housing Authority

Combining Balance Sheet

FDS Schedule Submitted To REAC

All Fund Types

June 30, 2003

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Other Federal Program 1	Total
322	Accrued Compensated Absences - Current Portion	90	291	13,510	0	0	2,616	0	0	16,507
331	Accounts Payable - HUD PHA Programs	0	26,306	0	0	0	0	0	0	26,306
333	Accounts Payable - Other Government	0	0	37,166	0	0	0	0	0	37,166
341	Tenant Security Deposits	0	0	112,911	0	0	0	0	0	112,911
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue Bonds	0	0	0	0	0	0	0	541,552	541,552
347	Interprogram Due To	16	2,519	0	150,131	0	22,675	396,918	9,452	581,711
310	Total Current Liabilities	2,215	29,791	266,548	150,131	0	31,370	399,048	551,004	1,430,107
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue Bonds	0	0	0	0	0	0	0	2,212,524	2,212,524
354	Accrued Compensated Absences - Non Current	806	2,616	121,587	0	0	23,540	0	0	148,549
353	Noncurrent Liabilities – Other	0	0	33,426	0	0	8,035	0	0	41,461
350	Total Noncurrent Liabilities	806	2,616	155,013	0	0	31,575	0	2,212,524	2,402,534
300	Total Liabilities	3,021	32,407	421,561	150,131	0	62,945	399,048	2,763,528	3,832,641

Portsmouth Metropolitan Housing Authority

Combining Balance Sheet

FDS Schedule Submitted To REAC

All Fund Types

June 30, 2003

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Other Federal Program 1	Total
504	Net HUD PHA Contributions	0	0	17,736,502	0	0	0	0	0	17,736,502
508	Total Contributed Capital	0	0	17,736,502	0	0	0	0	0	17,736,502
511	Total Reserved Fund Balance	0	0	0	0	0	0	0	0	0
512	Undesignated Fund Balance/Retained Earnings	256,103	38,132	3,430,137	3,701	0	308,499	2,720,972	560,690	7,318,234
513	Total Equity/Net Assets	256,103	38,132	21,166,639	3,701	0	308,499	2,720,972	560,690	25,054,736
600	Total Liabilities and Equity/Net Assets	\$259,124	\$70,539	\$21,588,200	\$153,832	\$0	\$371,444	\$3,120,020	\$3,324,218	\$28,887,377

Portsmouth Metropolitan Housing Authority

Combining Statement of Revenue, Expenses and Change in Equity

FDS Schedule Submitted To REAC

All Fund Types

June 30, 2003

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Other Federal Program 1	Total
REVENUE										
703	Net Tenant Rental Revenue	\$0	\$0	\$1,166,774	\$0	\$0	\$0	\$0	\$0	\$1166,774
704	Tenant Revenue – Other	0	0	23,868	0	0	0	0	0	23,868
705	Total Tenant Revenue	0	0	1,190,642	0	0	0	0	0	1,190,642
706	HUD PHA Operating Grants	0	224,243	2,589,476	165,249	0	2,253,065	619,760	0	5,851,793
706.1	Capital Grants	0	0	0	4,231	0	0	1,799,117	0	1,803,348
711	Investment Income – Unrestricted	2,545	288	60,446	0	0	2,589	0	0	65,868
715	Other Revenue	192,564	0	12,650	0	0	0	0	0	205,214
716	Gain/Loss on Sale of Fixed Assets	0	0	(5,250)	0	0	(1,040)	0	0	(6,290)
720	Investment Income – Restricted	0	0	0	0	0	0	0	2,268	2,268
700	Total Revenue	195,109	224,531	3,847,964	169,480	0	2,254,614	2,418,877	2,268	9,112,843

EXPENSES

911	Administrative Salaries	74,252	15,576	405,054	45,866	0	140,183	77,063	0	757,994
912	Auditing Fees	0	427	9,961	0	0	3,842	0	0	14,230
914	Compensated Absences	(2,173)	315	7,793	0	0	2,835	0	0	8,770
915	Employee Benefit Contributions – Administrative	24,748	5,967	169,178	6,472	0	53,699	17,229	0	277,293
916	Other Operating - Administrative	8,838	6,079	160,455	6,150	0	76,986	45,539	600	304,647

Combining Statement of Revenue, Expenses and Change in Equity

FDS Schedule Submitted To REAC

All Fund Types

June 30, 2003

Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Other Federal Program 1	Total
921	Tenant Services – Salaries	0	0	55,813	0	0	0	0	0	55,813
922	Relocation Costs	0	0	0	0	0	0	330	0	330
923	Employee Benefit Contributions - Tenant Services	0	0	24,168	0	0	0	0	0	24,168
924	Tenant Services – Other	0	0	5,198	0	0	0	0	0	5,198
931	Water	0	0	195,296	0	0	0	0	0	195,296
932	Electricity	0	0	334,885	0	0	0	0	0	334,885
933	Gas	0	0	278,130	0	0	0	0	0	278,130
941	Ordinary Maintenance and Operations - Labor	0	0	687,220	0	0	0	0	0	687,220
942	Ordinary Maintenance and Operations - Materials and Other	0	0	157,531	0	0	0	31,625	0	189,156
943	Ordinary Maintenance and Operations - Contract Costs	0	0	223,138	0	0	0	0	0	223,138
945	Employee Benefit Contributions - Ordinary Maintenance	0	0	290,019	0	0	0	0	0	290,019
951	Protective Services – Labor	0	0	9,901	0	0	0	0	0	9,901
952	Protective Services - Other Contract Costs	0	0	41,634	106,761	0	0	0	0	148,395
961	Insurance Premiums	2,529	632	117,597	0	0	5,690	0	0	126,448
962	Other General Expenses	0	0	22,560	0	0	0	0	0	22,560
963	Payments in Lieu of Taxes	0	0	37,166	0	0	0	0	0	37,166
964	Bad Debt - Tenant Rents	0	0	7,960	0	0	0	0	0	7,960
967	Interest Expense	0	0	0	0	0	0	0	158,774	158,774
968	Severance Expense	0	0	6,586	0	0	0	0	0	6,586
969	Total Operating Expenses	108,194	28,996	3,247,243	165,249	0	283,235	171,786	159,374	4,164,077

Portsmouth Metropolitan Housing Authority										
Combining Statement of Revenue, Expenses and Change in Equity										
FDS Schedule Submitted To REAC										
All Fund Types										
June 30, 2003										
Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Other Federal Program 1	Total
970	Excess Operating Revenue over Operating Expenses	86,915	195,535	600,721	4,231	0	1,971,379	2,247,091	(157,106)	4,948,766
971	Extraordinary Maintenance	0	0	7,727	0	0	0	0	0	7,727
972	Casualty Losses - Non-Capitalized	0	0	32,955	0	0	0	0	0	32,955
973	Housing Assistance Payments	0	195,233	0	0	0	1,929,456	0	0	2,124,689
974	Depreciation Expense	4,142	0	1,766,610	530	0	878	55,586	234,045	2,061,791
900	Total Expenses	112,336	224,229	5,054,535	165,779	0	2,213,569	227,372	393,419	8,391,239
1001	Operating Transfers In	0	0	0	0	0	0	0	646,480	646,480
1002	Operating Transfers Out	0	0	(198,506)	0	0	0	(447,974)	0	(646,480)
1010	Total Other Financing Sources (Uses)	0	0	(198,506)	0	0	0	(447,974)	646,480	0
1000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	82,773	302	(1,405,077)	3,701	0	41,045	1,743,531	255,329	721,604
1103	Beginning Equity	173,330	37,830	21,452,254	0	1,111,939	233,869	977,441	305,361	24,292,024
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	0	0	1,119,462	0	(1,111,939)	33,585	0	0	41,108
	Ending Equity	\$256,103	\$38,132	\$21,166,639	\$3,701	\$0	\$308,499	\$2,720,972	\$560,690	\$25,054,736

Portsmouth Metropolitan Housing Authority										
Combining Statement of Revenue, Expenses and Change in Equity										
FDS Schedule Submitted To REAC										
All Fund Types										
June 30, 2003										
Line Item No.	Account Description	Business Activities	N/C S/R Section 8 Programs	Low Rent Public Housing	Public and Indian Housing Drug Elimination Program	Public Housing Comprehensive Grant Program	Housing Choice Vouchers	Public Housing Capital Fund Program	Other Federal Program 1	Total
		0	0	0	0	0	0	0	0	0
1102	Debt Principal Payments - Enterprise Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$519,279	\$519,279
1112	Depreciation Add Back	\$0	\$0	\$1,739,237	\$530	\$0	\$0	\$55,586	\$0	\$1,795,353
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$307,515	\$0	\$0	\$0	\$1,770,457	\$0	\$0	\$2,077,972
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0	\$0	\$369,464	\$0	\$0	\$369,464
1115	Contingency Reserve, ACC Program Reserve	\$0	\$728,960	\$0	\$0	\$0	\$227,948	\$0	\$0	\$956,908
1116	Total Annual Contributions Available	\$0	\$1,036,475	\$0	\$0	\$0	\$2,367,869	\$0	\$0	\$3,404,344
1120	Unit Months Available	0	1,428	10,524	0	0	7,392	0	0	19,344
1121	Number of Unit Months Leased	0	1,408	10,169	0	0	7,139	0	0	18,716

Portsmouth Metropolitan Housing Authority
 Schedule of Federal Award Expenditures
 For the Year Ended June 30, 2003

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	\$2,589,476
Drug Elimination Program	14.854	169,480
Public Housing Capital Fund Program	14.872	2,418,877
Housing Choice Voucher Program	14.871	2,253,065
Section 8 New Construction	14.182	<u>224,229</u>
 Total Expenditure of Federal Award		 <u><u>\$7,655,127</u></u>

POSTSMOUTH METROPOLITAN HOUSING AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARD
FOR THE YEAR ENDED JUNE 30, 2003

1. **BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal activity of Portsmouth Metropolitan Housing Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

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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
Portsmouth Metropolitan Housing Authority

I have audited the general purpose financial statements of the Portsmouth Metropolitan Housing Authority, Ohio, as of and for the year ended June 30, 2003, and have issued my report thereon dated January 4, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States 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 Portsmouth 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*.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Portsmouth 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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. I noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness.

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



Salvatore Consiglio, CPA, Inc.

January 4, 2004

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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
Portsmouth Metropolitan Housing Authority

Compliance

I have audited the compliance of the Portsmouth 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, 2003. Portsmouth 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 Portsmouth Metropolitan Housing Authority, Ohio's management. My responsibility is to express an opinion on Portsmouth 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 Portsmouth 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 Portsmouth Metropolitan Housing Authority, Ohio's compliance with those requirements.

As described in item FED-2003-1 through FED-2003-11 in the accompanying schedule of findings and questioned costs, Portsmouth Metropolitan Housing Authority, Ohio, did not comply with requirements regarding Special Test and Provisions and the Davis Bacon Act that are applicable to its Low Rent Public Housing, Housing Choice Voucher and Capital Fund Programs. Compliance with such requirements is necessary, in my opinion, for Portsmouth Metropolitan Housing Authority, Ohio, to comply with requirements applicable to that program.

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


In my opinion, except for the noncompliance described in the preceding paragraph, Portsmouth 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, 2003.

Internal Control Over Compliance

The management of Portsmouth 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 Portsmouth 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 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 than these specified parties.



Salvatore Consiglio, CPA, Inc.

January 4, 2004

Portsmouth Metropolitan Housing Authority
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 June 30, 2003

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)?	No
Was there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
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	Qualified
Are there any reportable findings under § .510?	Yes
Major Programs (list):	CFDA #14.850, 14.871, 14.872- Low Rent Public Housing, Housing Choice Voucher & Capital Fund
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Audit?	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
--

There are no Findings or questioned costs for the year ended June 30, 2003.

Portsmouth Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2003

3. FINDINGS REALTED TO FEDERAL AWARDS
--

FINDING NUMBER

FED-2003-1

Release of Information Form

**U.S. Department of HUD
Housing Choice Voucher Program (CFDA # 14.871)**

The result of audit procedures over the Housing Choice Voucher tenant files revealed that the Authority was using the wrong form for release of authorization. The Authority was using form HUD-9887. The correct form that should have been used is HUD-9886.

24 CFR 5.230 states “Each member of the family of an assistance applicant or participant who is at least 18 years of age, and each family head and spouse regardless of age, shall sign one or more consent forms. The assistance applicant shall submit the signed consent forms to the processing entity when eligibility ... is being determined. A regular participant shall sign and submit consent forms at the next regularly scheduled income reexamination”.

The Authority staff explained that the error was due to a recent training that staff attended. The staff was told that the form to be used was HUD-9887.

Recommendation:

The correct form, HUD-9886, should be used at the next schedule certification.

PHA Response:

Recommendation will be implemented. At next scheduled recertification the correct form will be obtained.

FINDING NUMBER

FED-2003-2

Third Party Verification

**U.S. Department of HUD
Low Rent Public Housing (CFDA # 14.850)**

A review of 25 Low Rent Public Housing tenant files revealed that proper third party verification of income reported is not obtained. Information is directly obtained from families.

Portsmouth Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2003

Section 24 CFR 960.259 (c)(1) and 982.51(a)(2) states “The PHA must obtain and document in the family file third party verification of the following factors, or must document in the file why third party verification was not available:

- (i) Reported family annual income;
- (ii) The value of assets;
- (iii) Expenses related to deductions from annual income; and
- (iv) Other factors that affect the determination of adjusted income or income based rent.”

Third party verification is defined as independent verification of income and/or expenses by contacting the individual income/expense source supplied by the family. The verification documentation must be supplied directly to the independent source by the Public Housing Authority (PHA) and returned directly to the PHA from the independent source.

Recommendation:

The PHA must comply with the above requirement.

PHA Response:

Recommendation will be implemented. Currently that PHA is reviewing all files to ascertain that all required information is properly documented.

FINDING NUMBER	FED-2003-3
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Utility Allowance

**U.S. Department of HUD
Housing Choice Voucher (CFDA # 14.871)
Low Rent Public Housing (CFDA # 14.850)**

The result of audit procedures over tenant files revealed that the PHA has not updating the utility allowance schedule annually.

Section 24 CFR 982.517 and 965.505 requires that The PHA must maintain a utility allowance schedule for all tenant-paid utilities for cost of tenant-supplied refrigerators and ranges, and for other tenant-paid housing services. In addition, PHA must review its schedule of utility allowances each year, and must revise its allowance for a utility category if there is a change of 10 percent or more in the utility rate since the last time the utility allowance schedule was revised.

Portsmouth Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2003

Recommendation:

The utility allowance schedule must be updated annually and the current form must be used and documented in the tenant files.

PHA Response:

Recommendation will be implemented. The Authority is in the process of hiring an agency to perform a utility rate study for the Voucher Program. The Director of Modernization has been assigned the duties to update the rates for the Low Rent Program as of February 1, 2004.

FINDING NUMBER	FED-2003-4
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Rent Reasonableness

**U.S. Department of HUD
Housing Choice Voucher Program (CFDA # 14.871)**

A review of 25 tenant files revealed 1 error where no documentation was noted in file that rent reasonableness was determined to support the landlord rent increase. The staff seemed to be aware of this requirement. This error appears to have been an isolated exception.

24 CFR 982.507 requires that the PHA must determine whether the rent to owner is a reasonable rent in comparison to rent for other comparable unassisted units.

Recommendation:

The PHA must document that the landlord request for rent increase is reasonable.

PHA Response:

Recommendation will be implemented.

FINDING NUMBER	FED-2003-5
----------------	------------

Payment Standard

**U.S. Department of HUD
Housing Choice Voucher Program (CFDA # 14.871)**

A review of 25 tenant files revealed 7 errors where the wrong payment standard was used to calculate the rent amount. The errors seemed to be with the recertification effective around October 2002 because the new fair market rent was not available at the time the recertification was performed. The Authority adopted the new payment standards after receipt of the published fair market rents and made them effective retroactive to October 1.

Portsmouth Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2003

24 CFR 982.503 requires that the PHA adopt a payment standard that is used to calculate the monthly housing assistance payments. The PHA may establish the payment standard amount for a unit size at any level between 90 percent and 110 percent of the published Fair Market Rent for that unit size.

Recommendation:

The Authority should consider making the revised payment standard effective upon receipt of the published fair market rent. This will eliminate such errors.

PHA Response:

Recommendation will be implemented.

FINDING NUMBER	FED-2003-6
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Birth Certificate / Social Security Card

**U.S. Department of HUD
Low Rent Public Housing (CFDA # 14.850)
Housing Choice Voucher (CFDA # 14.871)**

A review of 25 Low tenant files and 25 voucher files revealed several errors. The files did not contained copy of the participant birth certificate or social security card.

24 CFR 982.158 requires that the PHA maintain complete and accurate accounts and other records for the program in accordance with HUD requirements, in a manner that permits a speedy and effective audit.

Recommendation:

The PHA must make sure that proper supporting documentation is retained in the files.

PHA Response:

Recommendation will be implemented.

Portsmouth Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2003

FINDING NUMBER	FED-2003-7
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Family Self Sufficiency Program

**U.S. Department of HUD
Low Rent Public Housing (CFDA # 14.850)**

Audit procedures over the Family Self Sufficiency Program revealed that the Authority may have erroneously continue five tenants in the program after they have reached fair market rent. Also, it was noted that the amount in these five individuals' escrow accounts was disbursed to the tenants. The total amount disbursed was approximately \$20,000. Once these individuals reached fair market rent, they should not have continued in the FSS Program. This resulted in overpayment of the escrow balances to the tenants.

24 CFR 984.303 states "The contract of participation is considered to be completed, and a family's participation in the FSS program is considered to be concluded when one of the following occurs:

- (1) The FSS family has fulfilled all of its obligations under the contract of participation on or before the expiration of the contract term, including any extension thereof; or
- (2) 30 percent of the monthly adjusted income of the FSS family equals or exceeds the published existing housing fair market rent for the size of the unit for which the FSS family qualifies based on the PHA's occupancy standards. The contract of participation will be considered completed and the family's participation in the FSS program concluded on this basis even though the contract term, including any extension thereof, has not expired, and the family members who have individual training and services plans have not completed all the activities set forth in their plans."

Recommendation:

The Authority must review the tenant escrow balances to ascertain when the tenants reached fair market rent. Then calculate the amount of credit was erroneously continued and paid to the individuals. This amount should be reimbursed back to the program.

PHA Response:

Recommendation will be implemented.

Portsmouth Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2003

FINDING NUMBER	FED-2003-8
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Annual Recertification

**U.S. Department of HUD
Low Rent Public Housing (CFDA # 14.850)**

A review of 25 low rent tenant file revealed 4 errors. The Authority did not conduct the required annual reexamination of family income and composition within the required 12 month period.

24 CFR 960.257 states “families who pay an income-based rent, the PHA must conduct a reexamination of family income and composition at least annually and must make appropriate adjustments in the rent after consultation with the family and upon verification of the information. Also, for families who choose flat rents, the PHA must conduct a reexamination of family composition at least annually, and must conduct a reexamination of family income at least once every three years.

The Authority did not comply with this requirement.

Recommendation:

The Authority must perform the required annual reexamination annually.

PHA Response:

Recommendation will be implemented.

FINDING NUMBER	FED-2003-9
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Family Choice

**U.S. Department of HUD
Low Rent Public Housing (CFDA # 14.850)**

HUD rental integrity monitoring review (RIM) conducted on May 20 – 23, 2003 issued a finding that the Authority is not consistently documenting or maintaining a consistent record of family choice of rent and the offering of the flat rent option. HUD finding stated:

“Based on the result of the tenant files sample review for public housing resident families, it could not be determined that all families are being offered a choice of rents and are fully aware of the relationship between flat rent to an income-based rent at annual reexamination or at any time due to financial hardship.”

Portsmouth Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
June 30, 2003

24 CFR 960.253 requires that once a year, the PHA must give each family the opportunity to choose between the two methods for determining the amount of tenant rent payable monthly by the family. The family may choose to pay as tenant rent either a flat rent ... or an income-based rent ... Except for financial hardship cases ... the family may not be offered this choice more than once a year.

The Authority has appeared to implementing the corrective actions and is making the choice available at each annual reexamination. However, the finding has not been resolved by HUD.

Recommendation:

The Authority should request from HUD a response to its corrective action submitted on August 15, 2003.

PHA Response:

HUD is schedule to perform a follow-up monitoring visit. At that time, management believes that this finding will be resolved.

FINDING NUMBER	FED-2003-10
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HUD Remote Review

**U.S. Department of HUD
Capital Fund Program (CFDA # 14.8872)**

HUD issued reported dated April 15, 2003 titled "Remote Review of Capital Fund and Operating Expenditures." This report noted 5 findings and 9 observations. None of these findings have been resolved as of the date of this report. A response to some of the findings was forwarded to HUD on August 27, 2003 and the Authority is still working on resolving others. See page 39 through 43 for summary of the finding, recommended corrective action and status.

The exact cost disallowed or the capital fund grant was not identified in the finding since the corrective actions recommended was that expenditures be further reviewed and identified.

Recommendation:

The Authority must communicate with the local HUD Office to resolve the 5 findings and reimburse the program for any disallowed costs.

Portsmouth Metropolitan Housing Authority
Schedule of Findings and Questioned Costs
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FINDING NUMBER	FED-2003-11
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Davis-Bacon Act

**U.S. Department of HUD
Low Rent Public Housing (CFDA # 14.850)**

No documentation was available during the audit to document that the Authority complied with the Davis-Bacon Act.

The Davis-Bacon Act requires that all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal awards must be paid wages not less than those established for the locality of the project by the Department of Labor.

Recommendation:

The Authority must comply with the above regulations.

PHA Response:

Staff has attended training on the Davis Bacon Act requirements and will comply with the Act. All future awards will be in compliance.

Portsmouth Metropolitan Housing Authority
 HUD Remote Review Findings
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HUD performed a remote review of the Capital Fund and Operating Expenditures and issued a report dated April 15, 2003. The report identified 5 findings and 9 observations. The report also noted certain cost as disallowed. The following is a summary of the findings, corrective actions recommended and status of the findings. As of the date of this report, none of the findings or observations have been resolved by HUD.

FINDING / OBSERVATIONS	CORRECTIVE ACTIONS	STATUS (RESOLVED, PARTIALLY CORRECTED, NOT CORRECTED)
FINDINGS		
<p>Finding 2003-1 Failure to follow regulation in installation of air condition at Farley Square and Wayne Hills.</p> <p>24 CFR 965.505 state “if a PHA installs air conditioning, it shall provide ... systems that give residents the option to choose air conditioning and the PHA shall not include air conditioning in the utility allowance. For systems that offer residents the option to choose but cannot be check metered, residents are to be surcharged in accordance with Sec. 965.506.”</p>	<p>The PHA should installation check meters.</p>	<p>PENDING PMHA requested permission to implement a monthly surcharge to the tenants instead of installing the check meters. The response dated August 27, 2003 stated that the PHA operating budget cannot bear the cost of purchasing and installing the check meters.</p> <p>This finding is still pending and the corrective action has not been implemented because PMHA is waiting for a response to see if the surcharge is approved.</p>

Portsmouth Metropolitan Housing Authority
 HUD Remote Review Findings
 June 30, 2003

<p>Finding 2003-2 Failure to follow procurement policy for purchase of admin uniforms, resident participation expenses, non-dwelling equipment and management improvements.</p> <p>24 CFR 85.36 mandate competitive procurement. Each PHA is required to develop a procurement policy.</p>	<p>Develop internal quality control system to review purchases. Train staff on procedures and limit staff authorize to make purchases. Maintain appropriate files.</p>	<p>NOT CORRECTED Policy was revised. All purchases, non CFP, are made by Finance Assistante. CFP are made by Development Director. However, audit procedures over procurement revealed the following errors: proper documentation of bid evaluation and compliance with Davis Bacon Act compliance. A Finding was noted in the report.</p>
<p>Finding 2003-3 PMHA reimburse travel costs in excess of travel policy and also paid for alcoholic beverage.</p> <p>PMHA travel policy established a maximum reimbursement of \$40 per day. OMB Circular A-87 prohibits reimbursement for alcoholic beverage.</p>	<p>The PHA must review travel reimbursements for fiscal years 2001, 2002 and 2003 and reimburse the program for any such costs with non-federal funds.</p>	<p>PENDING The PHA reviewed expenditures and identified \$1,403.74 of disallowed costs.</p> <p>The Low Rent Program was reimbursed this amount from the Authority business activity fund.</p> <p>Finding is still pending, waiting for HUD response to corrective action implemented.</p>
<p>Finding 2003-4 PMHA violated regulation 24 CFR 905 in the purchase of 1309 & 1310 Union Street property with Capital Fund Program funds.</p> <p>Regulation 24 CFR 905 states “Eligible expenses include the following: Development, financing and modernization of public housing sites and building and the development of mixed finance projects. The capital improvement must be made to ACC units.”</p>	<p>The Authority should reimburse the CFP for all costs associated with this activity using non-federal funds.</p>	<p>NOT CORRECTED Expenditures for the purchase of the property of \$10,737 were transfer from non-federal funds. However, not all of the costs associated with the findings was identified and reimbursed back.</p> <p>PMHA must identify all costs associated with this activity and reimburse back the federal program.</p>

Portsmouth Metropolitan Housing Authority
 HUD Remote Review Findings
 June 30, 2003

<p>Finding 2003-5 Capital Funds were used for purchases of 1309 & 1310 Union Street property and various instances were found where PMHA failed to obtain HUD approval to add new work items to the programs.</p> <p>24 CFR 903.23 and Notice 2000-43 states that all capital improvement activities must be approved by HUD as part of the PHA plan. The PHA may not implement an amendment or modification until notification is submitted to HUD and approval received.</p>	<p>The federal funds used to purchase these properties must be reimbursed. PMHA needs to manage its activities to accomplish its intended goals, per the approved PHA plan.</p>	<p>PARTIALLY CORRECTED The cost for the purchase of the two properties for \$10,737 and the cost of the following equipment was reimbursed:</p> <ul style="list-style-type: none"> - Fax Machine \$950 - Utility Trailer \$760 - Mowing equip \$9,562.76 <p>However, the costs for other items were not: office furniture, storage of equipment, relocation of office furniture.</p> <p>PMHA must make an accounting of all costs identified by HUD in finding 5 and reimburse the money back to the CFP. Some of these costs are allowable expenses and can be reclassified to the Low Rent Public Housing Program.</p>
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OBSERVATIONS

<p>1. Board evaluation of expenditures and PHA justification of expenses could be strengthened.</p>	<p>Board approval of check register is included in monthly board meetings.</p> <p>Establish a threshold for board review of supporting documentations (e.g. 5%).</p>	<p>CORRECTED Check register for accounts payable are provided to board members. Check register for HAP/URP and payroll checks are available at board meetings.</p> <p>At September 2003 meeting, the board adopted the 5% review procedures.</p>
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Portsmouth Metropolitan Housing Authority
 HUD Remote Review Findings
 June 30, 2003

<p>2. No board approved policy for purchase of uniforms for administrative staff.</p>	<p>Cost is disallowed and program must be reimbursed with non-federal funds.</p>	<p>PENDING Policy was provided to HUD that documents that all staff be required to wear uniforms when dealing with exterminations, inspections, etc. PMHA requested HUD approval to allow expenses for uniform costs for following personnel: Housing Manager, Social Service, Modernization Coordinator and Security Staff. If approved, PMHA will reimburse the operating fund \$1,922 to cover the cost of all other staff. PMHA is waiting for response from HUD.</p>
<p>3. Departments are required to develop a department manual.</p>	<p>Create policy and procedures manuals. After approval from board, insure that staff receives copy and training.</p>	<p>PARTIALLY Departments are not completed with the preparation procedures manuals.</p>
<p>4. Vacant property is viewed as security issues.</p>	<p>DEP program disallows the purchase of property for drug elimination purpose. PHA is encouraged to make design changes in enhance development security.</p>	<p>PENDING PMHA response states that any future property acquisition will be in compliance with regulations. No response has been received from HUD.</p>
<p>5. PHMA letter dated 5/1/03 states that purchase property for non-dwelling use is eligible costs.</p>	<p>Paragraph H of Handbook 7485, chapter 2, section 2 requires that purchase of property must be under a development plan for HUD approval.</p>	<p>PENDING PMHA requested HUD guidance on preparation of development plan with respect to property already purchased. No response has been received from HUD</p>

Portsmouth Metropolitan Housing Authority
 HUD Remote Review Findings
 June 30, 2003

<p>6. Conflict of interest - one of the properties purchased was titled to a Board Member.</p>	<p>There must be an investigation to determine if there has been any impropriety.</p>	<p>PENDING A notarized statement was send to HUD from board member, Emily Cobb, detailing how the property came to be sold to PMHA and that Ms. Cobb did not benefited from this purchase. No response has been received from HUD</p>
<p>7. \$11,500 of expenditure for the enhancement of the lobby area near the elevators does not meet the criteria of reasonable and necessary.</p>	<p>All planned work must be documented in the annual plan and in the 5 year action plan.</p>	<p>PENDING Clarification was send to HUD stating that 4 rooms located by the elevators in different floors were designed for use as common space for residents were furnished for \$11,500. All future projects will be properly identified in the annual plan and 5 years action plan. No response has been received from HUD</p>
<p>8. PMHA used CFP for HA wide training needs.</p>	<p>General wide training is normal, allowable expenses and should be paid from operation not capital fund.</p>	<p>NOT CORRECTED The cost for the training was to CFP that had previously been closed and certified. PMHA requested further instruction from HUD if to re-open the closed CFP or to reimburse a current, open CF grants.</p>
<p>9. Training for locksmithing, refrigerant handling, HVAC, etc. were funded through CFP to improve PASS scores; however, the PHA does not have any deficiencies identified in PASS.</p>	<p>The above training is for general improvement of the maintenance department staff and should be pay from operating funds.</p>	<p>NOT CORRECTED The cost for the training was to CFP that had previously been closed and certified. PMHA requested further instruction from HUD if to re-open the closed CFP or to reimburse a current, open CF grants.</p>

Portsmouth Metropolitan Housing Authority
Schedule of Prior Audit Findings
June 30, 2003

The audit report for the fiscal year ending June 30, 2002 contained no audit finding.



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PORTSMOUTH METROPOLITAN HOUSING AUTHORITY

SCIOTO 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
APRIL 8, 2004**