

**SANDUSKY METROPOLITAN HOUSING AUTHORITY**

Financial Condition

As of

June 30, 2003

Together with Auditors' Report





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Sandusky Metropolitan Housing Authority  
1358 Mosser Drive  
Fremont, Ohio 43420

We have reviewed the Independent Auditor's Report of the Sandusky Metropolitan Housing Authority, Sandusky County, prepared by Kevin L. Penn, 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 Sandusky Metropolitan Housing Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

September 2, 2004

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**SANDUSKY METROPOLITAN HOUSING AUTHORITY  
FREMONT, OHIO**

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## **Independent Auditor's Report**

Board of Trustees  
Sandusky Metropolitan Housing Authority  
Fremont, Ohio

I have audited the accompanying balance sheet of Sandusky Metropolitan Housing Authority as of June 30, 2003, and the related statements of revenues, expenses, equity and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; 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 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 financial statements referred to in the above present fairly, in all material respects, the financial position of Sandusky Metropolitan Housing Authority 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 States of America.

In accordance with Government Auditing Standards, I have also issued my report dated December 20, 2003 on my consideration of Sandusky Metropolitan Housing Authority's internal control over financial reporting and on 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 results of our audit.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Sandusky Metropolitan Housing Authority taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. In addition, the financial data schedule, pages 13 to 15 are presented for additional analysis as required by the U.S. Department of Housing and Urban Development. These schedules are the responsibility of management of Sandusky Metropolitan Housing Authority, 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 basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kevin L. Penn, Inc.

December 20, 2003

SANDUSKY METROPOLITAN HOUSING AUTHORITY  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2003

ASSETS

**Current Assets**

Cash and Cash Equivalents (Note 1)	\$	719,977
Investments – Unrestricted		253,681
Tenant Accounts Receivable (net of allowance for doubtful accounts - \$8,277)		367
Accounts Receivable – Miscellaneous		16,722
Prepaid Insurance		15,124
Security Deposits		10,316
Total Current Assets		1,016,187

**Fixed Assets**

Property and Equipment - Net (Note 1)		3,236,091
Total Fixed Assets		3,236,091

TOTAL ASSETS		\$ 4,252,278
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LIABILITIES AND EQUITY

**Current Liabilities**

Accounts Payable – Vendor	\$	15,014
Accounts Payable – Governments		4,284
Accounts Payable – HUD		311,609
Security Deposits		14,880
Accrued Liabilities		591
Current Portion - Long Term Debt		9,747
Amount Due To Fort Stevenson House		43,634
Total Current Liabilities		399,759

**Long Term Liabilities**

Mortgage Payable		239,814
Accrued Compensated Absences		28,576
Total Long Term Liabilities		268,390

Total Liabilities		668,149
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**Equity**

Contributed Capital		3,069,431
Retained Earnings		514,698
Total Equity		3,584,129

TOTAL LIABILITIES AND EQUITY		\$ 4,252,278
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The accompanying notes are an integral part of the financial statements.



SANDUSKY METROPOLITAN HOUSING AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2003

**Revenue:**

HUD Grants	\$ 1,211,674
Rental Income	84,351
Other Revenue	273,105
Total Revenue	1,569,130

**Expenses:**

Housing Assistance Payments	870,639
Administrative Salaries	298,355
Other Administrative Expenses	128,804
Material and Labor - Maintenance	44,040
Contract Services	16,139
Utilities	11,533
General Expenses	18,326
Payments in Lieu of Taxes	4,284
Bad Debt - Tenant Rents	425
Depreciation	135,906
Total Expenses	1,528,451

Operating Income (Loss)	40,679
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Non-operating Revenues (Expenses)

Investment Income	5,924
Interest Expense	(14,376)
Net Income (Loss) Before Transfers	32,227

Transfers In	75,099
Transfers Out	(75,099)
Net Income (Loss)	32,227

Equity - Beginning of Year as Previously Reported	3,530,378
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Prior Period Adjustments (Note 11)	21,524
Equity - Beginning of Year as Restated	3,551,902
Equity - End of Year	\$ 3,584,129

The accompanying notes are an integral part of the financial statements.

SANDUSKY METROPOLITAN HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2003

**Cash Flows from Operating Activities:**

(Decrease) in net assets	\$	32,227
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation		135,906
(Increase) decrease in:		
Accounts Receivable - Tenant		202
Prepaid Insurance		(1,839)
Accounts Receivable - Miscellaneous		(4,712)
Security Deposit		4,644
Increase (decrease) in:		
Accounts Payable - Vendors		5,930
Accounts Payable - Governments		1,851
Accounts Payable - HUD		63,574
Amount Due To Fort Stevenson House		(55,722)
Deferred Revenue		(1,635)
Security Deposit		(834)
Accrued compensated Absences		(564)
Accrued expenses		(29,039)
Net Cash Provided (Used) by Operating Activities		149,989

**Cash Flows From Investing Activities:**

Change in investments		205,085
Acquisition of buildings		(447,147)
Net Cash Provided (Used) by Investing Activities		(242,062)

**Cash Flows From Financing Activities:**

Repayment of long term debt		(6,795)
Proceeds from long term debt		139,310
Net Cash Provided (Used) by Financing Activities		132,515
Net Cash (Decrease) in Cash and Cash Equivalents		40,442
Cash and Cash Equivalents - Beginning of Year		679,535
Cash and Cash Equivalents - End of Year	\$	719,977

**Supplemental Schedule of Other Cash Activity:**

Interest paid	\$	14,376
Income taxes	\$	-

The accompanying notes are an integral part of the financial statements.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY  
FREMONT, OHIO**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2003**

**NOTE 1 - Summary of Significant Accounting Policies:**

A. Organization

The Sandusky Metropolitan Housing Authority (SMHA) is a political subdivision of the State of Ohio, located in Fremont, Ohio, created under Section 3735.27 of the Ohio Revised Code, to engage in the acquisition, development, leasing and administration of low-rent housing program.

An Annual Contributions Contract was signed by the SMHA and the United States Department of Housing and Urban Development (HUD), under the provisions of the United States Housing Act of 1937 (42 U.S.C. 1437) Section 1.1. The Authority was also created in accordance with state law to eliminate housing conditions which are detrimental to the public peace, health, safety, morals, or welfare by purchasing, acquiring constructing, maintaining, operating, improving, extending, and repairing housing facilities.

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is a legally separate entity for which the primary government is financially accountable. The criteria of financial accountability is the ability of the primary government to impose its will upon the potential component unit. This criteria was considered in determining the reporting entity.

B. Basis of Accounting

The SMHA's policy is to maintain its accounting records on the accrual basis in accordance with generally accepted accounting principles.

In accordance with Statement Number 20 of the Government Accounting Standards Board (GASB No. 20) "Accounting and Financial Reporting for Proprietary Funds and Other Government Entities the Use Proprietary Fund Accounting," SMHA has elected not to apply the provisions of the Statements and Interpretations of the Financial Accounting Standards Board issued after November 30, 1989. SMHA will continue to apply all applicable pronouncements of the Governmental Accounting Standards Board.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY  
FREMONT, OHIO**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2003**

**NOTE 1 - Summary of Significant Accounting Policies:** (continued)

C. Property and Equipment

Property and equipment is recorded at cost. Costs that materially add to the productive capacity or extend the life of an asset are capitalized, while maintenance and repair costs are expensed as incurred.

Useful life of property and equipment is as follows:

Buildings	40 Years
Land & Building Improvements	15 Years
Equipment	7 Years
Autos	5 Years

Depreciation is recorded on the straight-line method. Total depreciation expense for the 2003 fiscal year was \$135,906

D. Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash equivalents.

E. Investments

Investments are stated at fair value. Cost-based measures of fair value were applied to nonnegotiable certificates of deposit and money market investment.

F. Use of Estimates

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

G. Capitalization of Interest

The Authority's policy is not to capitalize interest in the construction or purchase of fixed assets.

H. Financial Statement Format and Content

The format and content of the financial statements included in this report conforms to the format and content submitted to U.S. Department of Housing and Urban Development, via the Real Estate Assessment Center.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY  
FREMONT, OHIO**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2003**

**NOTE 2 – Deposits and Investments:**

Legal Requirements. Monies held by the Authority are classified by State statute into two categories. Active monies means an amount of public monies determined to be necessary to meet current demands upon the Authority treasury. Active monies must be maintained either as cash in the Authority treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Monies held by the Authority which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. Bonds, notes, or other obligations of, or guaranteed by, the United States, or those for which the faith of the United States is pledged for the payment of principal and interest;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase and reverse repurchase agreements in the securities listed above;
4. Bond and other obligations of the State of Ohio, its political subdivision, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Authority's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY  
FREMONT, OHIO**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2003**

**NOTE 2 – Deposits and Investments:** (continued)

At year-end, the Authority had \$70 in undeposited cash on hand which is included as part of "Pooled Cash and Cash Investments". This amount is uninsured and uncollateralized.

Deposits. At year-end, the carrying amount of the Authority's deposits was \$686,603 and the bank balance was \$903,381. Of the bank balance, \$100,000 was covered by federal depository insurance, by collateral held by the Authority, or by collateral held by a qualified third party trustee in the name of the Authority and \$803,381 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

In addition, to the above deposits, the Authority has deposits on behalf of The Fort Stephenson House with a carrying amount of \$43,634 and a bank balance of \$43,872.

Investments. Statutory provisions require that the Authority hold all securities acquired by the Authority or deposit them with a qualified trustee pursuant to Section 135.18, Revised Code. Securities acquired under a repurchase agreement must be deposited with such a trustee unless the counterparty is a designated depository of the Authority for the current period of designation of depositories, in which case the securities may be held in trust by the depository. At the end of each day, the Authority withdraws surplus funds from the account and invests the monies in an overnight repurchase agreement. The Authority does not purchase any specific security in this manner, but the investment is collateralized by pledged securities held by a third party in the name of the bank.

GASB Statement 3 "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" requires that local governments disclose the carrying amounts and market value of investments, classified by risk. Category 1 includes investments that are insured or registered, or securities held by the Authority or its agent in the Authority. Category 2 includes uninsured and unregistered, with securities held by the counter-party trust department or agent in the Authority. Category 3 includes uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Authority.

	<u>Category</u> <u>1</u>	<u>Fair</u> <u>Value</u>	<u>Market</u> <u>Value</u>
Repurchase Agreements	\$253,667	\$253,667	\$253,667
	=====	=====	=====

**SANDUSKY METROPOLITAN HOUSING AUTHORITY  
FREMONT, OHIO**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2003**

**NOTE 3 – Property and Equipment:**

A summary of property and equipment for the Section 8 Housing Choice Voucher at June 30, 2003, by class is as follows:

Building and Building Improvements	\$3,399,969
Land	604,764
Furniture, Equipment – Dwelling	48,465
Furniture, Equipment – Administrative	<u>318,840</u>
Total	4,372,038
Less Accumulated Depreciation	<u>(1,135,947)</u>
Net Property and Equipment	<u>\$3,236,091</u>

**NOTE 4 – Mortgage Payable and Long-Term Debt**

Long-term debt consists of the following:

The Authority has a note payable to the Croghan Colonial Bank of Fremont amounting to \$46,475. The original principal of the loan was \$104,041 at a rate of 6.4% annually. Principal and interest payments of \$429.25 began in December 2001 with the final payment is due on December 2016. The loan is secured by a first mortgage on the property located at 728 Nickel St., Fremont, Ohio.

\$ 46,475

The Authority has a note payable to the Croghan Colonial Bank of Fremont amounting to \$19,235. The original principal of the loan was \$54,204 at a rate of 8.75% annually. Principal and interest payments of \$252.10 began in August 1997 with the final payment is due on August 2012. The loan is secured by an open-end mortgage on real estate property located at 125 Pfeiffer Ave. Clyde, Ohio 43410.

19,235

**SANDUSKY METROPOLITAN HOUSING AUTHORITY  
FREMONT, OHIO**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2003**

**NOTE 4 – Mortgage Payable and Long-Term Debt** (continued)

The Authority has a note payable to the Croghan Colonial Bank of Fremont amounting to \$68,804. The original principal of the loan was \$123,500 at a rate of 7.15% annually. Principal and interest payments of \$469.07 began in October 2002 with the final payment is due on July 2032. The loan is secured by an open-end mortgage on real estate property located at 562 Crestwood, Fremont, Ohio 43420.

68,804

The Authority has a note payable to the Croghan Colonial Bank of Fremont amounting to \$69,024. The original principal of the loan was \$70,000 at a rate of 5.90% annually. Principal and interest payments of \$587.20 began in March 2003 with the final payment is due on March 2018. The loan is secured by an open-end mortgage on real estate property located at 114 S. Jefferson St. Fremont, Ohio 43420.

69,024

The Authority has a note payable to the Croghan Colonial Bank of Fremont amounting to \$46,021. The original principal of the loan was \$104,000 at a rate of 6.4% annually. Principal and interest payments of \$428.95 began in January 2002 with the final payment is due on January 2017. The loan is secured by a first mortgage on the property located at 148 W. Drew Lane, Clyde, Ohio.

	<u>46,023</u>
Subtotal	\$249,561
Less: Current Portion	( 9,747)
Total Long-Term Debt	<u>\$239,814</u>



**SANDUSKY METROPOLITAN HOUSING AUTHORITY  
FREMONT, OHIO**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2003**

**NOTE 4 – Mortgage Payable and Long-Term Debt** (continued)

The aggregate amounts of long-term debt maturities for the five years following 2003 are as follows:

Year	Principal	Interest	Total
2004	\$ 9,747	\$ 16,252	\$ 25,999
2005	\$ 10,414	\$ 15,585	\$ 25,999
2006	\$ 11,102	\$ 14,897	\$ 25,999
2007	\$ 11,893	\$ 14,106	\$ 25,999
2008	\$ 12,711	\$ 13,288	\$ 25,999
Thereafter	<u>\$193,694</u>	<u>\$102,053</u>	<u>\$295,747</u>
Total	<u>\$249,561</u>	<u>\$176,181</u>	<u>\$425,742</u>

**NOTE 5 – Administrative Fee:**

The Authority receives and “administrative fee” as part of the annual contributions from HUD to cover the costs (including overhead) of administering the Section 8 Housing Assistance Payments (HAP) Programs. The fee is a percentage of a HUD determined based rate for each unit per month under HAP contracts. The rates are as follows:

Units per month x \$42.69/units – July to September  
Units per month x \$44.33/units – October to June

**NOTE 6 – Allocation of Costs:**

The Authority allocated expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units in each program or estimated actual usage. Management considers this to be an equitable method of allocation.

**NOTE 7 – Retirement and Other Benefit Plans:**

The employees of the Authority are covered by the Public Employees Retirement System of Ohio (PERS), a statewide cost-sharing multiple-employer deferred benefit pension plan. PERS provides retirement and disability benefits annual cost-of-living adjustments, death benefits to plan members and beneficiaries. The authority to establish and amend benefits is provided by the state statute per Chapter 145 of the Ohio Revised Code. PERS issues a publicly available financial report. The report may be obtained by writing PERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 466-2085.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY  
FREMONT, OHIO**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2003**

**NOTE 7 – Retirement and Other Benefit Plans:** (continued)

The Ohio Revised Code provides statutory authority for employee and employer contributions. Covered employees are required by the System's Retirement Board to contribute 8.5% of their salary to the plan. The employer contribution rate was 13.55% for fiscal year 2003. The Authority's total payroll for covered employees was \$323,886. The Authority's 2003 total contribution was \$43,886.

The contribution requirement to fund the pension obligation for the year ended June 30, 2003, 2002 and 2001 were \$43,886, \$45,630 and \$32,186 from the Authority.

PERS of Ohio provides post-retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health care 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 OPEB is financed through employer contributions and investment earnings and is expected to be sufficient to sustain the program indefinitely.

The pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers.

The System does not make separate measurements of assets and pension benefit obligation for individual employers. PERS issues a stand-alone financial report.

**NOTE 8 – Compensated Absences:**

Vacation and sick leave policies are established by the Board of Authority based on local and state laws. All permanent employees will earn 4.6 hours of sick leave per (80) hours of service. Unused sick leave may be accumulated without limit. At the time of separation, employees shall be paid the value of (30) days of unused sick leave. All permanent employees will earn vacation hours accumulated based on length of service. All vacation time accumulated will paid upon separation.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY  
FREMONT, OHIO**

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2003**

**NOTE 9 – Insurance Coverage and Risk Retention:**

The Authority is exposed to various risks of loss during the normal course of its operations including, but not limited to, loss related to torts; theft of damage to, and destruction of assets; errors and omissions; and injuries to employees.

The Authority maintains comprehensive insurance coverage with private carriers for health, real property, and building contents. There was no significant reduction in coverage and no settlements exceeded insurance coverage, during the past three years.

**NOTE 10 – Schedule of Expenditures of Federal Awards:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Sandusky Metropolitan Housing Authority and is presented on the accrued 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.

**NOTE 11 – Prior Period Adjustments:**

Beginning retained earnings balance has been restated in the amount of \$21,524 as a result of the following:

\$22,501	(Understatement of cash and cash equivalents)
\$( 4,561)	(Understatement of amount due to the Department of HUD)
<u>\$ 3,584</u>	(Overstatement of receivables)
<u>\$21,524</u>	Total

**NOTE 12 – Subsequent Events:**

On December 12, 2003, the Authority has entered into a note payable with Croghan Colonial Bank of Fremont, in the amount of \$97,600 at a rate of 5.50% annually. Principal and interest payments will be \$671.62. The maturity date of the note payable is December 2023. The loan is secured by an open-end mortgage on real estate located at 1407 Rosewood Street, Fremont, Ohio 43420.

## SANDUSKY METROPOLITAN HOUSING AUTHORITY

## Balance Sheet

June 30, 2003

Financial Data Schedule Submitted to U.S. Department of HUD

FDS Line Item No.	Account Description	Section 8	Public Housing	C.I.A.P	State/Local	Total
<b>ASSETS</b>						
111	Cash – Unrestricted	\$ 210,351	\$ 348,976	\$ -	\$ 160,650	\$ 719,977
114	Cash - Tenant Security Deposit	-	10,316	-	-	10,316
100	<b>TOTAL CASH</b>	210,351	359,292	-	160,650	730,293
125	Accounts Receivable - Miscellaneous	38,018	7,896	-	45,907	91,821
126	Accounts Receivable - Tenants - Dwelling Units	-	8,644	-	-	8,644
126.1	Allowance for Doubtful Accounts - Dwelling Rents	-	(8,277)	-	-	(8,277)
120	<b>TOTAL ACCOUNTS RECEIVABLE</b>	38,018	8,263	-	45,907	92,188
131	Investments - Unrestricted	50,412	165,376	-	37,893	253,681
142	Prepaid Expenses	-	9,075	-	6,049	15,124
150	<b>TOTAL CURRENT ASSETS</b>	298,781	542,006	-	250,499	1,091,286
161	Land	8,114	596,650	-	-	604,764
162	Buildings	-	2,610,402	88,161	701,406	3,399,969
163	Furniture, Equipment & Machinery - Dwellings	-	48,465	-	-	48,465
164	Furniture, Equipment & Machinery - Administration	48,705	170,000	100,135	-	318,840
166	Accumulated Depreciation	(48,705)	(924,193)	(27,966)	(135,083)	(1,135,947)
160	<b>TOTAL FIXED ASSETS, NET</b>	8,114	2,501,324	160,330	566,323	3,236,091
190	<b>TOTAL ASSETS</b>	\$ 306,895	\$ 3,043,330	\$160,330	\$ 816,822	\$ 4,327,377
<b>LIABILITIES</b>						
312	Accounts Payable	\$ 5,070	\$ 8,835	\$ -	\$ 1,109	\$ 15,014
331	Accounts Payable - HUD PHA Programs	311,609	-	-	-	311,609
333	Accounts Payable - Other Government	-	4,284	-	-	4,284
341	Tenant Security Deposits	-	11,273	-	3,607	14,880
343	Current Portion of Long-term Debt	-	-	-	10,056	10,056
345	Other Current Liabilities	-	3,182	-	116,142	119,324
310	<b>TOTAL CURRENT LIABILITIES</b>	316,679	27,574	-	130,914	475,167
351	Long-term Debt, Net of Current	-	-	-	239,505	239,505
354	Accrued Compensated Absences - Non Current	14,872	9,258	-	4,446	28,576
	<b>TOTAL NON-CURRENT LIABILITIES</b>	14,872	9,258	-	243,951	268,081
	<b>TOTAL LIABILITIES</b>	331,551	36,832	-	374,865	743,248
512	Retained Earnings	(24,656)	3,006,498	160,330	441,957	3,584,129
	<b>TOTAL EQUITY/NET ASSETS</b>	(24,656)	3,006,498	160,330	441,957	3,584,129
	<b>TOTAL LIABILITIES AND EQUITY/NET ASSETS</b>	\$ 306,895	\$ 3,043,330	\$160,330	\$ 816,822	\$ 4,327,377

SANDUSKY METROPOLITAN HOUSING AUTHORITY  
Statement of Revenue, Expenses and Changes in Equity  
For the Year Ended June 30, 2003

Financial Data Schedule Submitted to U.S. Department of HUD

FDS Line Item No.	Account Description	Section 8	Public Housing	C.I.A.P	State/Local	Total
Revenue:						
703	Net Tenant Rental Revenue	\$ -	\$ 44,299	\$ -	\$ 40,052	\$ 84,351
706	HUD PHA Operating Grant	1,007,248	106,047			1,113,295
706.1	Capital Grants			98,379		98,379
711	Investment Income - Unrestricted	1,803	3,434	-	687	5,924
715	Other Revenues	-	6,904	-	266,201	273,105
700	Total Revenue	<u>1,009,051</u>	<u>160,684</u>	<u>98,379</u>	<u>306,940</u>	<u>1,575,054</u>
Expenses:						
911	Administrative Salaries	73,839	61,155	8,000	155,925	298,919
912	Audit Fees	5,070	2,730	-	-	7,800
914	Compensated Absences	(2,144)	9,258		(7,678)	(564)
915	Employee Benefit Contributions - Administrative	23,303	9,789	-	18,593	51,685
916	Other Operating - Administrative	35,004	9,172	15,129	10,014	69,319
931	Water		1,611		208	1,819
932	Electricity		5,890			5,890
933	Gas		3,467			3,467
938	Other Utilities Expense		357			357
941	Ordinary Maintenance and Operations - Labor		24,633			24,633
942	Ordinary Maintenance and Operations - Materials and Other		12,176		7,231	19,407
943	Ordinary Maintenance and Operations - Contract Costs	2,935	6,509	-	6,695	16,139
961	Insurance Premiums	7,082	3,964		7,281	18,327
963	Payments in Lieu of Taxes		4,284			4,284
964	Bad Debt - Tenant Rents				425	425
967	Interest Expense	-	-	-	14,377	14,377
969	Total Operating Expenses	<u>145,089</u>	<u>154,995</u>	<u>23,129</u>	<u>213,071</u>	<u>536,284</u>
970	Excess Operating Revenue over Expenses	863,962	5,689	75,250	93,869	1,038,770
Other Expenses						
973	Housing Assistance Payments	870,639	-	-		870,639
974	Depreciation Expense	14	44,363	23,027	68,500	135,904
900	Total Expenses	<u>1,015,742</u>	<u>199,358</u>	<u>46,156</u>	<u>281,571</u>	<u>1,542,827</u>
1000	Excess of Operating Revenue Over Expenses	(6,691)	(38,674)	52,223	25,369	32,227
1103	Beginning Equity	(43,742)	3,034,374	108,107	431,639	3,530,378
1104	Prior Period Adjustments	<u>25,777</u>	<u>10,798</u>		<u>(15,051)</u>	<u>21,524</u>
	Ending Equity	<u>\$ (24,656)</u>	<u>\$ 3,006,498</u>	<u>\$160,330</u>	<u>\$ 441,957</u>	<u>\$ 3,584,129</u>

SANDUSKY METROPOLITAN HOUSING AUTHORITY  
Additional Information Required by HUD  
Year Ended June 30, 2003

Financial Data Schedule Submitted to U.S. Department of HUD

<u>FDS Line Item No.</u>	<u>Account Description</u>	
1112	Depreciation Add Back	\$0
1113	Maximum Annual Contributions Commitment (Per ACC)	\$1,262,161
1114	Applicable to a Period of Less Than Twelve Months	\$0
1115	Contingency Reserve, ACC Program Reserve	\$405,689
1116	Total Annual Contributions Available	\$1,667,850
1120	Unit Months Available	4,584
1121	Number of Unit Months Leased	3,031

SANDUSKY METROPOLITAN HOUSING AUTHORITY  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2003

Federal Grantor/Program Title	Federal CFDA Number	Contract Number	Grant Amount Received	Federal Expenditures
U.S. Department of Housing and Urban Development				
Direct Program:				
Section 8 Tenant Based Cluster:				
Housing Choice Vouchers	14.871	C-10004	\$1,314,331	\$ 1,007,248
Low Rent Public Housing Program	14.850	C-5506	106,047	<u>106,047</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u><u>\$1,113,295</u></u>

The notes to the financial statements are an integral part of this statement.

**SANDUSKY METROPOLITAN HOUSING AUTHORITY  
FREMONT, OHIO**

**ACTUAL MODERNIZATION COST CERTIFICATE  
June 30, 2003**

1. The Actual Modernization Grant Costs are as follows:

	Project OH12-908
Funds Approved	\$ 98,379
Funds Expended	<u>98,379</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>
Funds Advanced	\$ 98,379
Funds Expended	<u>98,379</u>
Excess (Deficiency) of Funds Approved	<u>\$ 0</u>

2. The Distribution of Costs as shown on the Schedule/Report of Modernization Grant Expenditures submitted to HUD for approval are in agreement with the Authority's records.
3. All Modernization Grant Costs have been paid and all related liabilities have been discharged through payment.

The notes to the financial statements are an integral part of this statement.





Certified Public Accountant  
13212 Shaker Square, Suite 100  
Cleveland, Ohio 44120  
(216) 283-1535  
Fax: (216) 283-5724

## **Independent Auditor's 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 Trustees  
Sandusky Metropolitan Housing Authority  
Fremont, Ohio

I have audited the financial statements of Sandusky Metropolitan Housing Authority as of and for the year ended June 30, 2003, and have issued my report thereon dated December 20, 2003. I conducted my audit in accordance with generally accepted auditing standards 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 Sandusky Metropolitan Housing Authority's 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 instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2003-1; 2003-2; 2003-3 and 2003-4. I also noted certain immaterial instances of noncompliance, which I have reported to management of Sandusky Metropolitan Housing Authority in a separate letter dated December 20, 2003.

### Internal Control Over Financial Reporting

In planning and performing my audit, I considered Sandusky Metropolitan Housing Authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the 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 consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Sandusky Metropolitan Housing Authority's 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 2003-1 and 2003-4.

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. 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 2003-1 to be material weaknesses.

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

Kevin L. Penn, Inc.

December 20, 2003



Kevin L.  
Penn, Inc.

Certified Public Accountant  
13212 Shaker Square, Suite 100  
Cleveland, Ohio 44120  
(216) 283-1535  
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## **Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133**

Board of Trustees  
Sandusky Metropolitan Housing Authority  
Fremont, Ohio

### Compliance

I have audited the compliance of Sandusky Metropolitan Housing Authority 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. Sandusky Metropolitan Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Sandusky Metropolitan Housing Authority's management. My responsibility is to express an opinion on Sandusky Metropolitan Housing Authority's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards 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 Sandusky Metropolitan Housing Authority'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 Sandusky Metropolitan Housing Authority's compliance with those requirements.

In my opinion, Sandusky Metropolitan Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2003-1; 2003-2; 2003-3 and 2003-4.

#### Internal Control Over Compliance

The management of Sandusky Metropolitan Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Sandusky Metropolitan Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine 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 consider to be material weaknesses.

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

Kevin L. Penn, Inc.

December 20, 2003

**Sandusky Metropolitan Housing Authority**  
 Schedule of Findings and Questioned Costs  
 June 30, 2003

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Reportable condition(s) identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes
Identification of major programs:	
14.871	Housing Choice Voucher Program
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000 (Type A)
Auditee qualified as low-risk auditee?	No

**Sandusky Metropolitan Housing Authority**  
Schedule of Findings and Questioned Costs  
June 30, 2003

Section II - Financial Statement Findings

2003-1

**Department of Housing and Urban Development**  
**Housing Choice Voucher Program (CFDA #14.871)**

**Financial Statements Preparation and Submission**

Condition:

The financial statements prepared as of June 30, 2003 did not contain the prior period audit adjustments as a result the financial statements contained misstated balances, resulting in inaccurate financial statements. As a result, Sandusky Metropolitan Housing Authority was unable to submit the required audited financial statements via the Real Estate Assessment Center by the required submission date. In addition, there were numerous current year adjusting journal entries posted in order to produce the financial statements in accordance with accounting principles generally accepted in the United States of America.

Criteria:

OMB Circular A-110, Subpart C.21(b)(1), requires that ...the grant recipient have a financial system that provides for accurate, current and complete disclosure of the financial results of each federally-sponsored project or program. In addition the Department of Housing and Urban Development requires the submission of audited financial statements, via the Real Estate Assessment Center within nine months after the fiscal year end.

Effect:

Financial statements were not submitted within the nine month requirement, prescribed by the Department of Housing and Urban.

Cause:

Prior period audit adjustments were not posted to the general ledger. In addition, the initial financial statements were not prepared in accordance with accounting principles generally accepted in the United States of America.

**Sandusky Metropolitan Housing Authority**  
Schedule of Findings and Questioned Costs  
June 30, 2003

Section II - Financial Statement Findings

2003-1

**Department of Housing and Urban Development**  
**Housing Choice Voucher Program (CFDA #14.871)**

**Financial Statements Preparation and Submission** (continued)

Recommendation:

I recommend that Sandusky Metropolitan Housing Authority prepare their financial statements in accordance with accounting principles generally accepted in the United States of America and submit these financial statements to the Department of Housing and Urban Development, via the Real Estate Assessment Center, within the nine month period prescribed. By performing this procedure, the risk of late submissions will be significantly reduced.

Section III - Federal Award Findings and Questioned Costs

2003-2

**Department of Housing and Urban Development**  
**Housing Choice Voucher Program (CFDA #14.871)**

**Security Deposits**

Condition:

In six out of eight files tested, security deposits were not refunded within 30 days, upon an individual moving out of the unit.

Criteria:

Security deposits are to be refunded either to the individual vacating the unit or to the operating account to repair damages to the unit, within 30 days upon vacating the unit.

Effect:

Security deposits were not refunded in timely manner.

Cause:

Oversight by management.

**Sandusky Metropolitan Housing Authority**  
Schedule of Findings and Questioned Costs  
June 30, 2003

Section III - Federal Award Findings and Questioned Costs

2003-2

**Department of Housing and Urban Development**  
**Housing Choice Voucher Program (CFDA #14.871)**

**Security Deposits** (continued)

Recommendation:

I recommend that security deposits be released from the security deposit account within 30 days of an individual vacating the unit. By performing this procedure, the risk of the Authority incurring legal cost will be significantly reduced.

2003-3

**Department of Housing and Urban Development**  
**Housing Choice Voucher Program (CFDA #14.871)**

**Tenant Files**

Condition:

The following discrepancies noted, during the testing the tenant files:

1. There were four instances, whereby, the lease agreement was not maintained, in the tenant's file.
2. There were three instances, whereby, the income was not properly verified.
3. There was one instance, whereby, the HAP contract was not maintained in the tenant's file.
4. There was one instance, whereby, the lease agreement did not agree to the HAP contract.
5. There were seven instances, whereby, the family report was not signed by the tenant.



**Sandusky Metropolitan Housing Authority**  
Schedule of Findings and Questioned Costs  
June 30, 2003

2003-3

**Department of Housing and Urban Development**  
**Housing Choice Voucher Program (CFDA #14.871)**

**Tenant Files** (continued)

Criteria:

Section 24 CFR 982.308, requires that the “family and owner must submit a standard form lease used in the locality by the owner” and “the HUD prescribed tenancy addendum must be included in the lease word-for-word before the lease is executed”. Furthermore, an individual income should be properly verified and documented in order to ensure the proper HAP payment. Each family report must be signed by the tenant, prior to the applicant occupying the unit.

Effect:

Could result in questioned costs.

Cause:

Oversight by management.

Recommendation:

I recommend that prior to and individual receiving federal assistance, that the family and owner submit a standard form lease, and that the HUD prescribed tenancy addendum be included in the lease word-for-word. In addition income should be properly verified and documented in order ensure the proper HAP payment, and the family report should be signed by the tenant. Furthermore, these documents should be maintained in the tenant’s file. By performing this procedure, the risk of incurring questioned costs, will be significantly reduced.

2003-4

**Department of Housing and Urban Development**  
**Housing Choice Voucher Program (CFDA #14.871)**

**Overpayment Due to Department of HUD**

Condition:

The total overpayment due the U.S. Department of HUD, exceeded five percent of the actual contribution for the fiscal year.

**Sandusky Metropolitan Housing Authority**  
Schedule of Findings and Questioned Costs  
June 30, 2003

2003-4

**Department of Housing and Urban Development**  
**Housing Choice Voucher Program (CFDA #14.871)**

**Overpayment Due to Department of HUD (continued)**

Criteria:

Per HUD notice 94-64(HA) the total overpayment due to the U.S. Department of HUD, should not exceed five percent of the actual contribution required for the fiscal year.

Effect:

Noncompliance regarding the requirements of HUD notice 94-64(HA) may result in penalties and sanctions imposed against the Authority.

Cause:

Oversight by management.

Recommendation:

I recommend that financial records be reviewed on a quarterly basis with respects to monthly advances received and program costs, in order to determine whether the five percent threshold will be exceeded. By performing this procedure, the risk of jeopardizing future funding will be significantly reduced.

**Sandusky Metropolitan Housing Authority**  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2003

2002-1

**Bank Balance**

Recommendation:

I recommend that the Authority obtain additional insurance, secured by pooled securities accounts, serving as collateral for public deposits. By performing this procedure, the risk of not being in compliance with ORC Section 135.18 will be significantly reduced.

Auditee's Response:

Our bank, Croghan Colonial Bank, Fremont, Ohio, has increased the pledged securities to \$1,250,000. We understand now that this is our responsibility to make certain the insurance is sufficient to cover the total SMHA funds in the bank in order to comply with ORC 135.18.

Current Status:

The finding has been corrected, and does not warrant further action.

2002-2

**Financial Management of Account Balances**

Recommendation:

I recommend that future unexplained differences be investigated immediately, in order to provide accurate financial statements. By performing this procedure, the risk of inaccurate financial statements will be significantly reduced.

Auditee's Response:

Financial statements for the period ending June 30, 2002, have been adjusted. Future transactions will be reviewed monthly, and unexplained differences will be investigated and resolved immediately.

Current Status:

The finding has been partially corrected, and will be repeated in part in finding 2003-1.

**Sandusky Metropolitan Housing Authority**  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2003

2002-3

**Journal Entries**

Recommendation:

I recommend that journal entries, be supported with proper documentation, relating to the specific grant. By performing this procedure, the risk of incurring inaccurate financial statements, will be significantly reduced.

Auditee's Response:

Journal entries will be recorded with supporting documentation included or attached to the journal entry form (journal voucher) for each program.

Current Status:

The finding has been corrected, and does not warrant further action.

2002-4

**Financial Statement Presentation**

Recommendation:

The financial statements should be prepared in accordance with generally accepted accounting principles. Revenues should be recorded when earned and expenditures when incurred. As a result, revenues and expenditures will be properly stated, during the fiscal year. In addition, separate operating bank account, should be maintained on behalf of the housing authority, being managed by SMHA.

Auditee's Response:

Beginning with July 2003, changes will be made to the SMHA accounting records to properly record Fort Stephenson House rent income, operating income, and management fees in accordance with generally accepted accounting principles (GAAP). Revenues will be recorded when earned and expenditures when incurred. A separate bank account for Fort Stephenson House operating funds will be obtained.

Current Status:

The finding has been corrected, and does not warrant further action.

**Sandusky Metropolitan Housing Authority**  
Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2003

2002-5

**Tenant Files**

Recommendation:

I recommend that prior to and individual receiving federal assistance, that the family and owner submit a standard form lease, and that the HUD prescribed tenancy addendum be included in the lease word-for-word. By performing this procedure, the risk of incurring questioned costs, will be significantly reduced.

Auditee's Response:

Copies of the lease agreement are being obtained for the two tenants in question. The tenant files are being reviewed for completeness as tenants are due for their annual recertifications. A method has been developed so that, documents are filed in a specific order in the file, which will assist staff in tracking missing documents in the future.

Current Status:

The finding has not been corrected, and will be repeated in the 2003 audit.



## SANDUSKY METROPOLITAN HOUSING AUTHORITY

1358 MOSSER DRIVE, FREMONT, OH 43420  
PHONE/TDD: (419) 334-4426 FAX: (419) 334-6933 EMAIL: INFO@SANDUSKYMHA.ORG

### CORRECTIVE ACTION PLAN

June 30, 2003

Oversight Agency for Audit: Department of Housing and Urban Development

Sandusky Metropolitan Housing Authority respectfully submits the following corrective action plan for the year ended June 30, 2003.

Name and address of independent public accounting firm: Kevin L. Penn, Inc. 13212 Shaker Square, Suite 100, Cleveland, Ohio 44120.

Audit Period: June 30, 2003.

The findings from the June 30, 2003 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

### **FINDINGS - FINANCIAL STATEMENT AUDIT**

#### REPORTABLE CONDITIONS

2003-1

**Department of Housing and Urban Development  
Housing Choice Voucher Program (CFDA #14.871)**

#### **Financial Statements Preparation and Submission**

Recommendation:

I recommend that Sandusky Metropolitan Housing Authority prepare their financial statements in accordance with accounting principles generally accepted in the United States of America and submit these financial statements to the Department of Housing and Urban Development, via the Real Estate Assessment Center, within the nine month period prescribed. By performing this procedure, the risk of late submissions will be significantly reduced.



**Department of Housing and Urban Development  
Housing Choice Voucher Program (CFDA #14.871)**

**Financial Statements Preparation and Submission**

Auditee's Response: (continued)

The prior period audit adjustments for the period ending June 30, 2002, were not posted in a timely manner because they were not received until after the June 30, 2003, financial records were closed. They were also not available when the 2003 unaudited submission to REAC was being prepared. Every effort will be made to post in the 2004 financial records any prior period adjustments as a result of this audit for 2003.

Concerning the condition cited that financial statements were not prepared in accordance with GAAP, contributing to the problem was the inclusion of the records for the Fort Stephenson House Apartments (Fort) in what was reported as financial activity of Sandusky MHA. The Fort operating budget income and expenditures, dating back to the first audit ever conducted for the Sandusky MHA in the late 1970's, have always been included in the Sandusky MHA audit. In the 2002 audit, a determination was made that we should not be reporting this financial activity as financial activity of Sandusky MHA. Again, due to the 2002 audit being completed so late, no adjustments could be made in the 2003 records before they were closed to reverse this situation. It resulted in many entries being made to eliminate the Fort Stephenson operating income and expenses from the SMHA records in 2003.

Also contributing to the problem was the method of accounting for management fees and expenses for another property managed by Sandusky MHA (the Fremont Village Apartments). Changes have been made in how management fees and operating expenses are reported in order to be in accordance with GAAP.

2003-2

**Department of Housing and Urban Development  
Housing Choice Voucher Program (CFDA #14.871)**

**Security Deposits**

Recommendation:

I recommend that security deposits be released from the security deposit account within 30 days of an individual vacating the unit. By performing this procedure, the risk of the Authority incurring legal cost will be significantly reduced.

2003-2

**Department of Housing and Urban Development  
Housing Choice Voucher Program (CFDA #14.871)**

**Security Deposits**

**Auditee's Response:**

Effective December, 2003, a procedure was established to insure that security deposits are returned to the tenant or to the operating account to repair damages within 30 days of a tenant vacating a unit.

2003-3

**Department of Housing and Urban Development  
Housing Choice Voucher Program (CFDA #14.871)**

**Tenant Files**

**Recommendation:**

I recommend that prior to an individual receiving federal assistance, that the family and owner submit a standard form lease, and that the HUD prescribed tenancy addendum be included in the lease word-for-word. In addition income should be properly verified and documented in order to ensure the proper HAP payment, and the family report should be signed by the tenant. Furthermore, these documents should be maintained in the tenant's file. By performing this procedure, the risk of incurring questioned costs, will be significantly reduced.

**Auditee's Response:**

Effective immediately a checklist is being added to each tenant file (at the next recertification) that includes a list of all the steps (including forms) to be completed in order to complete the file at each recertification. Each step/form must be initialed and dated by staff at the time of completion, and no initials or dates are to be entered if the step is not complete. The lack of initials/dates will help staff track activity that still needs to be completed, which should result in a better review of items in each file and more assurance that a file is complete.

2003-4

**Department of Housing and Urban Development  
Housing Choice Voucher Program (CFDA #14.871)**

**Overpayment Due to Department of HUD**

**Recommendation:**

I recommend that financial records be reviewed on a quarterly basis with respects to monthly advances received and program costs, in order to determine whether the five percent threshold will be exceeded. By performing this procedure, the risk of jeopardizing future funding will be significantly reduced.



2003-4

**Department of Housing and Urban Development  
Housing Choice Voucher Program (CFDA #14.871)**

**Overpayment Due to Department of HUD**

Auditee's Response:

The Accounting Department has added notes to the department's calendar to remind staff to review Voucher Program costs at least quarterly to determine if the five percent threshold will be exceeded. The reminders are noted at the beginning of September, December, March, and May.

If there any questions regarding this plan, please call Robin R. Kocher, Executive Director at (419) 334-4426.

Sincerely yours,

Robin R. Kocher

Robin R. Kocher, Executive Director  
Sandusky Metropolitan Housing Authority





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**SANDUSKY METROPOLITAN HOUSING AUTHORITY**

**SANDUSKY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 21, 2004**