

Parma Public Housing Agency
General Purpose Financial Statements
For the Year Ended December 31, 2002



**Auditor of State
Betty Montgomery**

City of Parma Council Members
Parma Public Housing Agency
Parma, Ohio

We have reviewed the Independent Auditor's Report of the Parma Public Housing Agency, Cuyahoga County, prepared by Salvatore Consiglio, CPA, Inc., for the audit period January 1, 2002 through December 31, 2002. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Parma Public Housing Agency is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY
Auditor of State

April 23, 2004

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Parma Public Housing Agency

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Independent Auditors' Report

To The City Council
City of Parma, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the accompanying general purpose financial statements of the Department of Parma Public Housing Agency, City of Parma, Ohio, as of and for the year ended December 31, 2002 as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Parma, Ohio, and 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 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.

As discussed in Note 1, the general purpose financial statements of the Department of Parma Public Housing Agency, City of Parma, Ohio, are intended to present the financial position and result of operations and cash flows of proprietary fund types of only that portion of the financial reporting entity of the City of Parma, Ohio, that is attributable to the transactions of the Department.

As discussed in Note 7 to the financial statements, the Department of Parma Public Housing Agency, City of Parma, Ohio, has expended certain federal grant funds in a manner that may have violated certain of the restricted provisions of the related grants. The possible outcome of these matters, which have been reported to appropriate federal officials, is uncertain at this time. Accordingly, no provision for any liability has been made in the general purpose financial statements for possible federal claims for refunds of those grant monies.

In my opinion, except for the effect of the outcome of the matters discussed in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Parma Public Housing Agency, City of Parma, Ohio, as of December 31, 2002, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity accounting principles generally accepted in the United State of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated April 22, 2003, on my consideration of Parma Public Housing Agency, Ohio's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the result of our audit.

My Audit was performed for the purpose of forming and opinion on the general purpose financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Parma Public Housing Agency, Ohio. The accompanying Schedule of Expenditure 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 Government and Non-Profit Organizations* and is not a required part of the general purpose financial statements. The combining financial data ("FDS") schedule is presented for purposes additional analysis as required by the Department of Housing and Urban Development and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic general purpose financial statements and, in my opinion, is fairly presented in all material respect in relation to the basic general purpose financial statements taken as a whole.



Salvatore Consiglio, CPA, Inc.

April 22, 2003

Parma Public Housing Program
 Combined Balance Sheet
 Proprietary Fund Type
 Enterprise Fund
 December 31, 2002

<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 120,227
Accounts Receivable – Net of Allowance	370,921
Deferred Charges and Other Assets	<u>3,150</u>
Total Current Assets	494,298
Noncurrent Assets	
Fixed Assets - Net of Accumulated Depreciation	<u>2,260,575</u>
Total Assets	<u><u>\$2,754,873</u></u>
<u>LIABILITIES AND FUND EQUITY</u>	
LIABILITES:	
Accounts Payable	\$ 2,600
Intergovernmental Payables	2,499
Accrued Wages/Payroll Taxes	88,614
Tenant Security Deposits	11,486
Deferred Credits and other Liabilities	<u>33,814</u>
TOTAL CURRENT LIABILITES	<u>139,013</u>
NONCURRENT LIABILITIES	
Other Long-Term Liabilities	<u>11,506</u>
TOTAL NONCURRENT LIABILITIES	<u>11,506</u>
TOTAL LIABILITIES	<u>150,519</u>
FUND EQUITY:	
Total Contributed Capital	2,211,979
Retained Earning	<u>392,375</u>
TOTAL FUND EQUITY	<u>2,604,354</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 2,754,873</u></u>

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

Parma Public Housing Agency
 Combined Statement of Revenue, Expenses and Change in Fund Equity
 Proprietary Fund Type
 Enterprise Fund
 For the Year Ended December 31, 2002

<u>REVENUES</u>	
Net Tenant Rental Revenue	\$115,473
Program Grant/Subsidies	3,284,806
Interest	3,072
Other Revenue	<u>6,698</u>
TOTAL REVENUES	<u>3,410,049</u>
<u>EXPENSES</u>	
Administrative Expenses	390,645
Utilities Expenses	54,108
Ordinary Maintenance and Operation	219,313
Protective Services	10,000
General Expenses	19,417
Housing Assistance Expenses	2,604,720
Depreciation Expense	<u>108,173</u>
TOTAL EXPENSES	<u>3,406,376</u>
EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	3,673
Beginning Fund Equity	<u>2,600,681</u>
ENDING FUND EQUITY	<u><u>\$2,604,354</u></u>

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

Parma Public Housing Agency
 Combined Statement of Cash Flows
 Proprietary Fund Type
 Enterprise Fund
 For The Year Ended December 31, 2002

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net Operating Income/(Loss)	\$3,673
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
- Depreciation	108,173
- (Increases) Decreases in Accounts Receivable - HUD	(297,859)
- (Increases) Decreases in Accounts Receivable	6,321
- (Increases) Decreases in Prepaid Expenses	(272)
- Increases (Decreases) Accounts Payable	(5,790)
- Increases (Decreases) Accounts Payable HUD	(7,591)
- Increases (Decreases) Accrues Compensated Absences	17,627
- Increases (Decreases) Tenant Security Deposits	849
- Increases (Decreases) Accounts Payable Other	24,183
- Increases (Decreases) Accrued Wages and Payroll Taxes Payable	<u>51,437</u>
Total Adjustments	<u>(102,922)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(99,249)</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:	
- Purchase of Assets	<u>(87,485)</u>
NET CASH USED IN CAPITAL AND FINANCING ACTIVITIES	<u>(87,485)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(186,734)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>306,961</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$120,227</u></u>

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

Parma Public Housing Agency
Notes to the General Purpose Financial Statements
December 31, 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Summary of Significant Accounting Policies

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

Reporting Entity

The Department of Parma Public Housing Agency, City of Parma, Ohio, was created by the Codified Ordinances of the City of Parma, Chapter 2101, Ordinance 66-85 passed on March 20, 1985. The Department of Parma Public Housing Agency, City of Parma, Ohio, contracts with the United States Department of Housing and Urban Development (HUD) to provide low and moderate income persons with safe and sanitary housing through subsidies provided by HUD. The Department of Parma Public Housing Agency, City of Parma, Ohio, depends on the subsidies from HUD to operate.

The accompanying general purpose financial statements are intended to present the financial position and result of operations and cash flows of only that portion of the financial reporting entity of the City of Parma, Ohio, that is attributable to the transactions of the Department of the Public Housing Agency. Since the general purpose financial statements constitute less than a fund, there are no component units as defined in GASB 14 which are included in the Agency reporting entity.

Fund Accounting

The Department of Parma Public Housing Agency, City of Parma, Ohio, uses the proprietary fund to report on its financial position and the results of its operations for the Public Housing Program. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into three categories: governmental, proprietary, and fiduciary. The Department of Parma Public Housing Agency, City of Parma, Ohio, uses the proprietary category for its Public Housing Agency Programs.

Proprietary Fund Types

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

Enterprise Fund

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

Parma Public Housing Agency
Notes to the General Purpose Financial Statements
December 31, 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

Measurement Focus/Basis of Accounting

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting* the Department of Parma Public Housing Agency, City of Parma, Ohio, follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Investment

Investment are restricted by the provision of HUD Regulations (See Note 2). Investments are valued at market value. Interest income earned in fiscal year 2002 totaled \$3072

Fixed Assets

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

Cash and Cash Equivalent

For the purpose of the statement of cash flows and cash equivalents include all highly liquid debt instruments with original maturates of three months or less.

Budgetary Accounting

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

Estimates

The preparation of general purpose financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences

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

Parma Public Housing Agency
Notes to the General Purpose Financial Statements
December 31, 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Cont'd)

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: (1) the employees' rights to receive compensation are attributable to services already rendered and are not contingent on a specific event that is outside the control of the employer and employee. (2) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

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

NOTE 2: CASH AND INVESTMENTS

HUD Handbook 7475.1 Chapter 4 Section 1 authorizes the PHA to make investments in:

- Direct Obligations of the Federal Government;
- Obligations of Federal Government Agencies;
- Securities of Government-Sponsored Agencies; and
- Demand and Savings Deposits and Certificates of Deposits.

Deposits: The carrying amount of Parma Public Housing Agency, Ohio's totaled \$120,227 balance includes \$300 of petty cash. The corresponding bank balances totaled \$154,715. Federal Depository insurance covered the entire balance of \$154,715 of the bank balance. Parma Public Housing Agency, Ohio, did not have any investments at December 31, 2002.

NOTE 3: RISK MANAGEMENT

The Department of Parma Public Housing Agency, City of Parma, Ohio, is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year 2002, the Parma Public Housing Agency, Ohio's contracted with The Ohio Plan Government Risk Management for liability coverage of \$3,000,000 in aggregate, automobile coverage of \$1,000,000, and property coverage of \$4,310,000.

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

NOTE 4: FIXED ASSETS

The following is a summary:

Land	\$13,000
Buildings	3,205,233
Furniture, Machinery and Equipment	111,407
Leasehold Improvement	225,479
Total Fixed Assets	3,555,119
Accumulated Depreciation	(1,294,544)
Net Fixed Assets	\$2,260,575

Parma Public Housing Agency
Notes to the General Purpose Financial Statements
December 31, 2002

NOTE 4: FIXED ASSETS (Continued)

	Balance			Balance
	12/31/01	Additions	Deletion	12/31/02
Land	\$13,000	\$0	\$0	\$13,000
Buildings	3,205,233	0	0	3,205,233
Furniture, Machinery & Equipment	95,573	18,522	(2,688)	111,407
Leasehold Improvement	156,516	68,963	0	225,479
Total Fixed Assets	<u>\$3,470,322</u>	<u>\$87,485</u>	<u>(\$2,688)</u>	<u>\$3,555,119</u>

The depreciation expense for the year ended December 31, 2002 was \$108,173.

NOTE 5: DEFINED BENEFIT PENSION PLANS -PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. The employer contribution rate was 13.55 percent of covered payroll. The Department's reimburses the City of Parma for its share of the PERS costs. The required contributions to PERS for the years ended December 31, 2002, 2001 and 2000 were \$27,556, \$18,804, and \$14,330, respectively. The full amount has been contributed for 2001 and 2000. Eighty-three (83) percent has been reimbursed to the City for 2002, with the remainder being reported as a liability with the enterprise fund.

NOTE 6: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Public Retirement System of Ohio (PERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Health coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post-retirement health care based on authority granted by State statute. The Ohio Revised Code provides the

Parma Public Housing Agency
Notes to the General Purpose Financial Statements
December 31, 2002

**NOTE 6: POSTEMPLOYMENT BENEFITS PUBLIC EMPLOYEES
RETIREMENT SYSTEM (Continued)**

statutory authority requiring public employers to fund pension and postretirement health care through their contributions to PERS. The portion of employer contributions rate used to fund health care for 2002 and 2001 was 4.3 percent of cover payroll.

The significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually for inflation (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

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

NOTE 7: SCHEDULE OF EXPENDITURE OF FEDERAL AWARD

The accompanying schedule of expenditure of federal award is a summary of the activity of the Authority's federal programs. This schedule has been prepared on the accrual basis of accounting.

NOTE 8: CONTRACT SERVICES

In prior years it had been reported that Parma Public Housing Agency, Ohio, contracts with the City of Parma to provide services for the Housing Department. However, in the 2001 audit, it was concluded that the Public Housing Agency is a Department of the City of Parma, Ohio. Therefore, the staff of the Department are employees and not contracted staff.

NOTE 9: QUESTIONED COSTS

Currently the Department of Parma Public Housing Agency, City of Parma, Ohio's is under investigation by the City of Parma Police Department for illegal expenditures. The Police Detectives are investigating invoices paid for phantom work performed by several contractors. In addition, the investigation also includes cash advances made by the former Program Manager from credit cards for personal uses.

As of the date of this report, the investigation is not complete.

Parma Public Housing Agency
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type
Enterprise Fund
December 31, 2002

FDS Line Item No.	Account Description	Low Rent Public Housing 14.850	CIAP 14.852	Rental Voucher Program 14.855	Housing Choice Vouchers 14.871	Capital Fund 14.872	TOTAL
ASSETS:							
CURRENT ASSETS:							
Cash:							
111	Cash - unrestricted	\$55,764	\$-	\$-	\$16,542	\$-	\$72,306
113	Cash – other restricted	-	-	-	33,814	-	33,814
114	Cash - tenant security deposits	14,107	-	-	-	-	14,107
100	Total cash	<u>69,871</u>	-	-	<u>50,356</u>	-	<u>120,227</u>
Accounts and notes receivable:							
122	Accounts receivable – HUD other projects	19,931	-	-	347,388	-	367,319
126	Accounts receivable- tenants rents	3,211	-	-	-	-	3,211
126.1	Allowance for doubtful accounts – rent	(2,108)	-	-	-	-	(2,108)
128	Fraud recovery	-	-	-	4,997	-	4,997
128.1	Allowance for doubtful account – fraud	-	-	-	(2,498)	-	(2,498)
120	Total receivable, net of allowances for doubtful accounts	<u>21,034</u>	-	-	<u>349,887</u>	-	<u>370,921</u>
142	Prepaid expenses and other asses	3,150	-	-	-	-	3,150
144	Interprogram - due from	125,428	-	-	53,599	-	179,027
150	TOTAL CURRENT ASSETS	<u>219,483</u>	-	-	<u>453,842</u>	-	<u>673,325</u>

Parma Public Housing Agency
Combining Balance Sheet
FDS Schedule Submitted To REAC
Proprietary Fund Type
Enterprise Fund
December 31, 2002

FDS Line Item No.	Account Description	Low Rent Public Housing 14.850	CIAP 14.852	Rental Voucher Program 14.855	Housing Choice Vouchers 14.871	Capital Fund 14.872	TOTAL
NONCURRENT ASSETS:							
Fixed assets:							
161	Land	13,000	-	-	-	-	13,000
162	Buildings	3,205,233	-	-	-	-	3,205,233
163	Furniture, equipment & machinery – dwellings	38,016	-	-	-	-	38,016
164	Furniture, equipment & machinery – administration	32,977	-	-	25,914	14,500	73,391
165	Leasehold improvements	126,517	-	-	-	98,962	225,479
166	Accumulated depreciation	(1,273,075)	-	-	(15,134)	(6,335)	(1,294,544)
160	Total fixed assets, net of accumulated depreciation	2,142,668	-	-	10,780	107,127	2,260,575
180	TOTAL NONCURRENT ASSETS	2,142,668	-	-	10,780	107,127	2,260,575
190	TOTAL ASSETS	\$2,362,151	\$-	\$-	\$464,622	\$107,127	\$2,933,900

Parma Public Housing Agency
Combining Balance Sheet
FDS Schedule Submitted to REAC
Proprietary Fund Type
Enterprise Fund
December 31, 2002

FDS Line Item No.	Account Description	Low Rent Public Housing 14.850	CIAP 14.852	Section 8 Rental Voucher Program 14.855	Housing Choice Vouchers 14.871	Capital Fund 14.872	TOTAL
LIABILITIES AND EQUITY:							
LIABILITES							
CURRENT LIABILITES							
312	Accounts payable < 90 days	\$650	\$-	\$-	\$1,950	\$-	\$2,600
321	Accrued Wage/Payroll Taxes Payable	29,083	-	-	22,354	-	51,437
322	Accrued compensated absences - current	13,685	-	-	23,492	-	37,177
331	Accounts Payable – HUD PHA Programs	-	-	-	2,499	-	2,499
341	Tenant security deposits	11,486	-	-	-	-	11,486
346	Accrued Liabilities - Other	-	-	-	33,814	-	33,814
347	Interprogram - due to	53,599	-	-	125,428	-	179,027
310	TOTAL CURRENT LIABILITIES	108,503	-	-	209,537	-	318,040
354	Accrued compensated absences – noncurrent	11,506	-	-	-	-	11,506
350	TOTAL NONCURRENT LIABILITES	11,506	-	-	-	-	11,506
300	TOTAL LIABILITIES	120,009	-	-	209,537	-	329,546

Parma Public Housing Agency
Combining Balance Sheet
FDS Schedule Submitted to REAC
Proprietary Fund Type
Enterprise Fund
Year Ended December 31, 2002

FDS Line Item No.	Account Description	Low Rent Public Housing 14.850	CIAP 14.852	Section 8 Rental Voucher Program 14.855	Housing Choice Vouchers 14.871	Capital Fund 14.872	TOTAL
EQUITY:							
Contributed Capital:							
504	Net HUD PHA contributions	2,211,979	-	-	-	-	2,211,979
508	Total contributed capital	2,211,979	-	-	-	-	2,211,979
512	Undesignated fund balance/retained earnings	30,163	-	-	255,085	107,127	392,375
513	TOTAL EQUITY	2,242,142	-	-	255,085	107,127	2,604,354
600	TOTAL LIABILITIES AND EQUITY	\$2,362,151	\$-	\$-	\$464,622	\$107,127	\$2,933,900

Parma Public Housing Agency
Combining Statement of Revenue, Expenses and Change in Retained Earnings
FDS Schedule Submitted to REAC
Proprietary Fund Type – Enterprise Fund
Year Ended December 31, 2002

FDS Line Item No.	Account Description	Low Rent Public Housing 14.850	CIAP 14.852	Section 8 Rental Voucher Program 14.855	Housing Choice Vouchers 14.871	Capital Fund 14.872	TOTAL
REVENUE:							
703	Net tenant rental revenue	\$115,473	\$-	\$-	\$-	\$-	\$115,473
706	HUD PHA operating grants	120,550	-	-	2,944,793	136,001	3,201,344
706.1	Capital grant	-	-	-	-	83,462	83,462
711	Investment income – unrestricted	1,916	-	-	1,156	-	3,072
714	Fraud recovery	-	-	-	2,483	-	2,483
715	Other revenue	4,215	-	-	-	-	4,215
716	Gain/Loss on Sale of Assets	-	-	-	-	-	-
700	TOTAL REVENUE	242,154	-	-	2,948,432	219,463	3,410,049
EXPENSES:							
Administrative:							
911	Administrative salaries	50,982	-	-	91,075	10,582	152,639
912	Auditing fees	3,500	-	-	4,127	-	7,627
914	Compensated absences	22,806	-	-	34,880	-	57,686
915	Employee benefit contributions- admin	29,871	-	-	36,627	-	66,498
916	Other operating- administrative	11,214	-	-	94,981	-	106,195
Utilities:							
931	Water	23,997	-	-	-	-	23,997
932	Electricity	7,288	-	-	-	-	7,288

Parma Public Housing Agency
Combining Statement of Revenue, Expenses and Change in Retained Earnings
FDS Schedule Submitted to REAC
Proprietary Fund Type – Enterprise Fund
Year Ended December 31, 2002

FDS Line Item No.	Account Description	Low Rent Public Housing 14.850	CIAP 14.852	Section 8 Rental Voucher Program 14.855	Housing Choice Vouchers 14.871	Capital Fund 14.872	TOTAL
933	Gas	22,823	-	-	-	-	22,823
	Ordinary maintenance & operation:						
942	Ordinary maintenance and operations - materials & other	8,297	-	-	-	-	8,297
943	Ordinary maintenance and operations – contract costs	95,597	-	-	-	115,419	211,016
952	Protective Services – other contract costs	-	-	-	-	10,000	10,000
961	Insurance premiums	13,866	-	-	4,045	-	17,911
964	Bad debt - tenant rents	(285)	-	-	-	-	(285)
966	Bad debt – other	416	-	-	1,375	-	1,791
969	TOTAL OPERATING EXPENSES	290,372	-	-	267,110	136,001	693,483
970	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(48,218)	-	-	2,681,322	83,462	2,716,566
972	Casualty losses – noncapitalized	-	-	-	-	-	-
973	Housing assistance payments	-	-	-	2,604,720	-	2,604,720
974	Depreciation expense	98,709	-	-	4,129	5,335	108,173
900	TOTAL EXPENSES	389,081	-	-	2,875,959	141,336	3,406,376

Parma Public Housing Agency
Combining Statement of Revenue, Expenses and Change in Retained Earnings
FDS Schedule Submitted to REAC
Proprietary Fund Type – Enterprise Fund
Year Ended December 31, 2002

FDS Line Item No.	Account Description	Low Rent Public Housing 14.850	CIAP 14.852	Section 8 Rental Voucher Program 14.855	Housing Choice Vouchers 14.871	Capital Fund 14.872	TOTAL
1000	EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES	(146,927)	-	-	72,473	78,127	3,673
1103	Beginning equity	2,335,449	53,620	182,612	-	29,000	2,600,681
1104	Prior period adjustments and equity transfers	53,620	(53,620)	(182,612)	182,612	-	-
	ENDING RETAINED EARNINGS	<u>\$2,242,142</u>	<u>\$-</u>	<u>\$-</u>	<u>\$255,085</u>	<u>\$107,127</u>	<u>\$2,604,354</u>
	MEMO ACCOUNT INFORMATION:						
1112	Depreciation "add back"	\$-	\$-	\$-	\$-	\$-	\$-
1113	Maximum annual contributions commitment (per ACC)	-	-	-	2,467,655	-	2,467,655
1114	Prorata maximum annual contributions applicable to a period less 12 months	-	-	-	-	-	-
1115	Contingency reserve, ACC program	-	-	-	361,475	-	361,475
1116	Total annual contributions available	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$2,829,130</u>	<u>\$-</u>	<u>\$2,829,130</u>
1120	Unit months available	708	-	-	6,375	-	7,083
1121	Number of unit months leased	669	-	-	5,955	-	6,624

Parma Public Housing Agency
 Schedule of Expenditure of Federal Award
 For the Year Ended December 31, 2002

FEDERAL GRANTOR / PASS THROUGH GRANTOR PROGRAM TITLES	CFDA NUMBER	EXPENDITURES
U.S. Department of Housing and Urban Development Direct Program		
- Low Rent Public Housing Program	14.850a	\$120,550
- Housing Choice Vouchers Program	14.871	2,944,793
- Public Housing Capital Fund Program	14.872	<u>219,463</u>
Total Expenditure of Federal Award		<u><u>\$3,284,806</u></u>

SALVATORE CONSIGLIO, CPA, INC.

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

To The City Council
City of Parma, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

I have audited the general purpose financial statements of the Department of Parma Public Housing Agency, City of Parma, Ohio, as of and for the year ended December 31, 2002, and have issued my report thereon dated April 22, 2003. I conducted my audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Department of Parma Public Housing Agency, City of Parma, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule findings and questioned costs as GAS-2002-7. I also noted certain immaterial instances of non compliance, which we have reported to management of Parma Public Housing Agency in a separate letter dated April 22, 2003.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Department of Parma Public Housing Agency, City of Parma, Ohio's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal controls over financial reporting and its operation that I considered to be reportable conditions. Reportable conditions involves 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 the Department of Parma Public Housing Agency, City of Parma, Ohio'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 GAS-2002-1 through GAS-2002-6.

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 misstatement 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 GAS-2002-1 through GAS-2002-6 to be material weaknesses.

This report is intended solely for the information and use of the City Council, 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.

April 22, 2003

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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

To The City Council
City of Parma, Ohio

Regional Inspector General of Audit
Department of Housing and Urban
Development

Compliance

I have audited the compliance of the Department of Parma Public Housing Agency, City of Parma, 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 December 31, 2002. Parma Public Housing Agency, 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 the Department of Parma Public Housing Agency, City of Parma, Ohio's management. My responsibility is to express an opinion on the Department of Parma Public Housing Agency, City of Parma, 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 Department of Parma Public Housing Agency, City of Parma, 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 the Department of Parma Public Housing Agency, City of Parma, Ohio's compliance with those requirements.

As described in item FED-2002-1 through FED-2002-8 in the accompanying schedule of findings and questioned costs, the Department of Parma Public Housing Agency, City of Parma, Ohio's did not comply with requirements regarding Activities Allowed or Unallowed, Cash Management, Davis-Bacon Act, Procurement and Special tests and Provisions that are applicable to its Public Housing Low Rent Program, Housing Choice Voucher Program and Public Housing Capital Fund Program. Compliance with such requirements is necessary, in my opinion, for the Department of Parma Public Housing Agency, City of Parma, Ohio's to comply with the 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, the Department of Parma Public Housing Agency, City of Parma, 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 December 31, 2002.

Internal Control Over Compliance

The management of the Department of Parma Public Housing Agency, City of Parma, 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 the Department of Parma Public Housing Agency, City of Parma, 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.

I noted certain matters involving the internal control over compliance 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 compliance that, in my judgment, could adversely affect the Department of Parma Public Housing Agency, City of Parma, Ohio's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items FED-2002-1, FED-2002-3, and FED-2002-6.

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 the 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. My consideration of the internal control over compliance 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 FED-2002-1 and FED-2002-3 to be material weaknesses.

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



Salvatore Consiglio, CPA, Inc.

April 22, 2003

Parma Public Housing Agency
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 December 31, 2002

1. SUMMARY OF AUDITOR'S RESULTS

Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
Were there any material internal control weakness conditions reported for major federal programs?	No
Were 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 #14.871 Section 8 Housing Choice Voucher Program
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
Low Risk Auditee?	No

Parma Public Housing Agency
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
December 31, 2002

2. FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

FINDING NUMBER	GAS-2002 -1
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Credit Card Use

The Department does not have proper controls in place over the agency credit card. A separate card exists for each staff to use. Also, it was discovered that one of the credit cards was under the name of a former employee. With the exception of the former Service Director, each individual staff is in possession of their cards at all times. The Public Housing Agency does not have a formal written policy on the use of the credit cards.

During the audit period, the Program Manager allegedly used the credit card for personal cash advances.

Recommendation:

The Agency must adopt a policy on the use of credit cards. It is recommended that all credit cards under the name of the Department be identified and gathered from all staff. A system must be implemented that the credit cards are kept in a secured, locked place at all times. Cards should only be issued to staff after proper authorization as been obtained and a sign in and out log is maintained. Once the purpose of the use of the card is completed, the card must be returned into the secured place.

Management must review the reason for having more than one credit card. The credit cards should be change so that no cash advances can be allowed.

FINDING NUMBER	GAS-2002 -2
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Laundry Machine Coins

As part of the audit procedure, I observed the process for collecting and counting coins from the laundry machines. It was explained that the Resident Manager is the only individual that has access to the money from the laundry machine. The Resident Manager is responsible to take the coins from the machines and to take it to the administration office were it is counted and deposited in the bank.

My observation revealed the following:

1. The coins were transported in unlock box.
2. The coins were left on the Occupancy Specialist desk unattended for several hours. Making it very simple for someone to take the money without anyone noticing it.

My observation led me to conclude that the Department does not have proper system of controls over the collection and deposit of the coins from the laundry machine.

Parma Public Housing Agency
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
December 31, 2002

Recommendation:

I recommend that the system for collecting the coins from the laundry machine be reviewed and corrected. A proper system of internal control should include, at a minimum, the following:

1. More than one staff should be present to collect the coins from the machines.
2. The coins should be placed in a locked box that only one of the administrative staff has access to.
3. More than one staff should count the coins as soon as it is received.
4. Coins should not be left unattended for any reason.

FINDING NUMBER	GAS-2002-3
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Authorization of Expenditure

The Department procedure is that the signature on the check documents authorization for the expenditure. The former Service Director of the City of Parma and the City Treasurer signs the checks. However, the vendor invoices does not document that the invoices were reviewed or approved by a staff showing that the actual service or items has been received.

This has resulted in the Department being investigated for payments made to ghost contractors and phantom work performed.

Recommendation:

I recommend that the Department management takes corrective action to implement a system that properly documents all authorization for expenditure prior to the obligation be incurred. The vendor invoice must then be reviewed and documented that the service or item was received, and that the invoice was checked for math accuracy. No payment should be made if the invoice does not document that such a review was performed.

FINDING NUMBER	GAS-2002-4
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Proper Supporting Documentation

The Department processed payments for invoices where the description of services was vague or did not provide enough detail to indicate that proper work was performed. The result of audit procedures revealed payments made on faxed copies or on handwritten notes of work done, also ten (10) of the transaction selected for audit procedures, the Department was not able to provide actual supporting documentation. This allegedly resulted in payment for work not performed.

Recommendation:

Payment should be made only on original invoices. The invoice should clearly identify the work performed and should be in sufficient detail to facilitate the review and approval for payment.

Parma Public Housing Agency
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 December 31, 2002

FINDING NUMBER	GAS-2002-5
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Property Management

A proper property management system requires that a minimum once a year a physical inventory is performed to ascertain that assets are properly safeguarded and used for authorized purpose. No information was provided during the audit to ascertain that a physical inventory had been performed.

Recommendation:

Management must maintain a proper property management system.

-25-

FINDING NUMBER	GAS-2002-6
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Personnel Expenditures

Payroll and all payrolls related expenditures are paid through the City of Parma. On a regular basis the Department reimbursed the City for those expenditure. The amount reimbursed is based on the approved budget that was established at the beginning of the year. No reconciliation is made between the budget and the City of Parma actual payroll expenditure. As of December 31, 2002, the Department shows a liability to the City of \$51,437:

- Housing Choice Voucher Program	\$22,354
- Low Rent Public Housing Program	<u>29,083</u>
Total Liability	<u><u>\$51,437</u></u>

However, the City Auditor's Office does not agree with this amount.

This comment had been noted in prior audits and a recommendation had been made that reconciliation must be performed with the City records. The recommendation has not been implemented.

Recommendation:

The Department must obtain the monthly Account History Report from the City Auditor's Office. This report should be the source document to be posted in the department Accounting records. At the end of the year, an accrual adjustment must be made for any timing differences and for liabilities not paid.

FINDING NUMBER	GAS-2002 -7
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Procurement Procedures

The Department follows the City of Parma Procurement Policy. The written policy requires that any purchases of \$15,000 or greater, that the Department follows former bidding process. This process requires advertisement in newspaper, receipt of written bid, evaluation of bids received and the award to the lowest or best bidder.

Parma Public Housing Agency
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 December 31, 2002

No documentation was available that during the audit period, there was any former bidding procedures followed. However, an analysis of payments made to contractors revealed that several contractors were paid more than the \$15,000 threshold. This led me to conclude that the Department did not follow proper procurement procedures.

Also, a review by Housing and Urban Development (HUD) of the Department Contract Administration revealed several findings and recommendations. HUD report noted that the Department had satisfactorily followed its procurement policy for work items included in Fiscal Year 2000 and 2001 Capital Fund Program. However, HUD was not able to determine that procurement was followed for the Fiscal Year 2002 Capital Fund Program budget.

Recommendation:

I recommend that the Department implement HUD recommendation:

1. Develop a comprehensive contract log
2. Designate an area where all contract files are maintained.

In addition, I also recommend that all contract purchases go through the City of Parma Purchasing Department.

3. FINDINGS RELATED TO FEDERAL AWARDS

FINDING NUMBER	FED-2002-1
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Proper Supporting Documentation

**U.S. Department of HUD
 Low Rent Public Housing (CFDA # 14.850a)
 Public Housing Capital Project Fund (CFDA # 14.872)**

OMB Circular A-87, Attachment (A), Section C (1)(a) requires that all costs must be necessary and reasonable for proper efficient performance and administration of federal awards. Section (C)(1)(j) requires that all costs must be adequately documented. In addition, they must be legal, proper, and consistent with the policies that govern the recipient's own expenditures.

The Inspector General Act Amendments of 1988 defines a questioned cost as a finding that, at the time of the audit, such cost is not supported by adequate documentation.

Section 3735.37 of the Ohio Revised Code requires public housing authorities to keep an accurate account of all its activities and of all receipts and expenditures.

Six (6) of the checks selected for review, the Department was not able to provide actual supporting documentation for the payment.

Parma Public Housing Agency
 Schedule of Findings and Questioned Costs
 OMB Circular A-133 § .505
 December 31, 2002

Federal Questioned Costs:

Low Rent Public Housing	\$4,709
Public Housing Capital Project Fund	\$2,675

FINDING NUMBER	FED-2002-2
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Allowable Expenditures

**U.S. Department of HUD
 Public Housing Capital Project Fund (CFDA # 14.872)**

OMB Circular A-87, Attachment (A), Section C (1)(a) requires that all costs must be necessary and reasonable for proper efficient performance and administration of federal awards. Section (C)(1)(j) requires that all costs must be adequately documented. In addition, they must be legal, proper, and consistent with the policies that govern the recipient's own expenditures.

The Inspector General Act Amendments of 1988 defines a questioned cost as a finding that, at the time of the audit, such cost is not supported by adequate documentation.

Section 3735.37 of the Ohio Revised Code requires public housing authorities to keep an accurate account of all its activities and of all receipts and expenditures.

The Department is currently under investigation by the City of Parma Police Department for illegal expenditures made by the former Program Manager. The Police Detectives are investigating invoices paid for phantom work performed by several contractors.

As of the date of this report, the investigation is not complete. Therefore, I am questioning the entire Capital Fund Grant award that were open during the audit period:

Federal Questioned Costs:

Capital Fund Grant Number OH12P07350101	\$20,927
Capital Fund Grant Number OH12P07350102	\$60,036
Low Rent Public Housing	\$49,706

FINDING NUMBER	FED-2002-3
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Credit Card Transactions

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

OMB Circular A-87, Attachment (A), Section C (1)(a) requires that all costs must be necessary and reasonable for proper efficient performance and administration of federal awards. Section (C)(1)(j) requires that all costs must be adequately documented. In addition, they must be legal,

Parma Public Housing Agency
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
December 31, 2002

proper, and consistent with the policies that govern the recipient's own expenditures.

The Inspector General Act Amendments of 1988 defines a questioned cost as a finding that, at the time of the audit, such cost is not supported by adequate documentation.

The former Program Manager allegedly took cash advances from the Department credit cards and allegedly used the money for personal uses. The credit card transactions are currently being investigated by the City of Parma Police Department for illegal expenditures. I was not able to obtain copies of all of the credit card statements for my review. It was explained that the former Program Manager was making payments on the cards. However, payments stopped upon her death, leaving an unpaid balance of \$3,929. The Department paid this balance off on March 3, 2003 with Housing Choice Voucher Program funds.

For the credit card statements made available for my review, proper supporting documentation was not provided to support that the expenditure was for allowable purpose. The total payments during the audit for the credit card equaled \$8,534.

Therefore, I am questioning the entire payment amount of \$8,534 plus the payoff balance of \$3,929.

Federal Questioned Costs:

Housing Choice Voucher Program \$12,463

FINDING NUMBER	FED-2002-4
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Rent Reasonableness

U.S. Department of HUD

Housing Choice Voucher Program (CFDA # 14.871)

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.

The Department does not have a proper system in place to document that an informed judgment was made about the rent requested by the landlords. The Department does not have a database of unassisted units. A proper database documents the description of the various units, such as, location, dwelling structural, age, number of bedrooms, baths, condition of the unit, utilities, etc.

Parma Public Housing Agency
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
December 31, 2002

FINDING NUMBER	FED-2002-5
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Third Party Documentation

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

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.

Per inquiry with the Department Staff, it was discovered that the Department does not obtain proper third party verification of income and expenses. The Department used verification brought in by the families. This is not in compliance with the above section of the regulation.

FINDING NUMBER	FED-2002-6
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Cash Management

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

OMB Circular A-102 Common Rule and Treasury regulation 31 CFR part 205 requires that entities that receive federal award establish a cash management system to minimize time elapsing between the transfer of funds from the U.S. Treasury and their disbursement.

A review of the cash advances from the Housing Choice Voucher Program revealed that the Department has a receivable from HUD of \$347,388. This resulted in cash flow problem for the Voucher Program. Funds had to be borrowed from the Public Housing Low Rent Program to pay for expenses incurred by the Housing Choice Voucher Program.

This was caused by not having a proper cash management system in place to monitor its cash needs and submitting a budget revision to HUD.

Parma Public Housing Agency
Schedule of Findings and Questioned Costs
OMB Circular A-133 § .505
December 31, 2002

FINDING NUMBER	FED-2002-7
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Procurement

U.S. Department of HUD

Public Housing Capital Project Fund (CFDA # 14.872)

OMB Circular A-102 Common Rule requires that state and local governments follow proper procurement procedures for awarding contracts and incurring expenses that is funded with federal awards.

No documentation was made available during the audit to ascertain that the Department Complied with Circular A-102.

FINDING NUMBER	FED-2002-8
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Davis-Bacon Act

U.S. Department of HUD

Public Housing Capital Project Fund (CFDA # 14.872)

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.

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

Parma Public Housing Agency
Schedule of Prior Audit Findings
December 31, 2002

The audit report for the fiscal year ending December 31, 2001 contained not audit finding.



**Auditor of State
Betty Montgomery**

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PARMA PUBLIC HOUSING AGENCY

CUYAHOGA 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
MAY 6, 2004**