



THOMAS P. DiNAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

GABRIEL F. DEYO
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

November 2016

Ms. Ronnie W. Lawrence, Executive Director
Members of the Board of Commissioners
Town of Hempstead Housing Authority
760 Jerusalem Avenue
Uniondale, NY 11553

Report Number: S9-15-77

Dear Ms. Lawrence and Members of the Board of Commissioners:

The Office of the State Comptroller works to help housing authority officials manage their resources efficiently and effectively and, by so doing, provide accountability for dollars spent to support authority operations. The Comptroller oversees the fiscal affairs of authorities, as well as authorities' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard assets.

In accordance with these goals, we conducted an audit of six municipal housing authorities throughout New York State. The objective of our audit was to determine whether municipal housing authorities' administrators¹ were incurring inappropriate expenditures or receiving compensation beyond what is legally allowed. We included the Town of Hempstead Housing Authority (Authority) in this audit. Within the scope of this audit, we examined the policies and procedures of the Authority and reviewed administrative expenditures for the period January 1, 2012 through September 16, 2015. This audit was conducted pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution.

This report of examination letter contains our findings specific to the Authority. We discussed the findings and recommendation with Authority officials and considered their comments, which appear in Appendix A, in preparing this report. Authority officials generally agreed with our recommendation and indicated they planned to initiate corrective action. At the completion of our audit of the six authorities, we prepared a global report that summarizes the significant issues we identified at all of the authorities audited.

¹ For the purposes of this audit, administrators are defined as the Executive Director and members of the Board of Commissioners.

Summary of Findings

We did not identify any inappropriate expenditures incurred by Authority administrators; however, the Authority does not have a travel policy that governs travel undertaken by employees and administrators for training. The Executive Director received compensation in accordance with his employment contract and members of the Board of Commissioners (Board) are receiving compensation within allowable limits. The Board has adopted and implemented policies for credit card usage to ensure that Authority funds are expended for legitimate Authority purposes and in accordance with Board directives.

Background and Methodology

Housing authorities are public corporations created by special act of the New York State Legislature to generally provide affordable housing to citizens with lower incomes.² Funded primarily by United States Department of Housing and Urban Development (HUD) grants, most of the 141 active housing authorities around New York State (140 outside of New York City) manage both public housing units and a Section 8 housing vouchers program. Section 8 of the federal Housing Act of 1937 authorizes the payment of rental housing assistance to private landlords on behalf of low-income families, the elderly and the disabled through the Housing Choice Voucher Program.

The Authority is located in the Town of Hempstead (Town) and was created to address the housing needs for low- to moderate-income citizens of the Town. The Authority's operating expenditures totaled \$10.8 million in 2014. These costs are funded primarily by HUD.

The Authority is governed by a seven-person Board consisting of five members appointed by the Town's Supervisor and two tenant members that are voted in by a group of their peers. The Board oversees the Executive Director and staff that carry out the daily duties and responsibilities of the Authority. The Authority's staff performs admissions, maintenance, property management, administrative and resident service duties.

The Authority's mission is to provide eligible and qualified persons and families decent, safe and sanitary housing. The Authority has 48 full-time employees that provide the day-to-day operational support for 1,309 public housing households located throughout the Town. The Authority does not operate the Housing Choice Voucher Program.

To complete our audit objective, we interviewed Authority officials, reviewed policies and performed testing on administrative expenditures. We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). More information on the standards and the methodology used in performing this audit are included in Appendix B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

² See New York State Public Housing Law, Article 13.

Audit Results

The Board is responsible for the management of Authority funds, including providing appropriate direction and oversight to ensure that funds are expended for only legitimate purposes and in accordance with the Board's directives. Costs incurred by the Authority should be both necessary and reasonable for the day-to-day operation of the Authority and in support of fulfilling its mission. This includes expenditures related to, or on behalf of, administrators at the Authority as well as any compensation provided for services rendered.

Credit Card Expenditures – The Authority and its Board should implement policies and procedures to ensure that credit card use is appropriately restricted to authorized cardholders and used exclusively for allowable and reasonable Authority mission-related expenditures. Associated expenditures should be consistent with the Authority's procurement policy, require the cardholder to provide adequate documentation and review of expenditures and ensure appropriate supervisory authorization of charges prior to payment.

We found the Authority has adopted and implemented policies and procedures to adequately address these criteria. In our testing of all major credit card transactions paid during our audit scope period, transactions were restricted to authorized cardholders and appeared to be for allowable and reasonable Authority business expenditures compliant with the procurement policy. In addition, the transactions were appropriately documented and reviewed by the cardholder and appropriately authorized by a supervisor prior to payment.

Travel Expenditures – Adequate controls over travel by Authority staff are required to ensure travel costs are reasonable and for a business purpose. The Authority's travel policy should establish reimbursable expenditures and delineate expenditure limitations. Further, the policy should confirm pre-approval requisites, list documentation requirements to support expenditure verification and reconciliation and provide for supervisory review prior to payment of travel-related expenditures.

We found the Authority has not adopted and implemented travel policies and procedures to adequately address these criteria. However, the Authority had limited travel during our audit scope period, and in our testing of travel-related expenditures for Authority executives and Board members paid during our audit scope period, travel expenditures appeared to have a business purpose and were reasonable in nature. Further, all travel expenditures were appropriately reviewed prior to payment.

Although we found that there was no inappropriate travel expenditures incurred during our audit scope period, without an established policy there is a risk that inappropriate expenditures could be incurred when employees are required to travel. In addition, as staff turnover occurs it is likely that new employees will be sent to training and could incur unreasonable expenditures due to the lack of guidance in place.

Executive Compensation – Authority employment contracts should manifest the best interest of taxpayers and compensation should be limited to what is specifically stated in those contracts. Contracts or agreements with administrators should be approved by the Board and should establish total compensation including all benefits to be provided.

We found the Board has approved an employment agreement with the Executive Director, clearly establishing total compensation including all benefits and accommodations to be provided under the agreement. Our testing of earnings records, employee benefit disbursements, credit card charges, vendor payments and rent rolls did not identify any compensation that was not specifically provided for in the agreement.

Board Member Compensation – The compensation of board members should conform to limitations imposed by State and federal law and regulations. Total compensation includes the value of all wages and benefits provided. The New York State Public Housing Law authorizes a board chairperson to receive a maximum of \$2,500 a year per diem in compensation while board members are allowed \$2,000. Federal agreements³ also stipulate that any revenues associated with a federal housing project cannot be used for compensating board members.

We found that the Authority provided compensation in accordance with set standards to Board members throughout our audit scope period. Further, our audit testing of earnings records, employee benefit disbursements, credit card charges, vendor payments and rent rolls did not identify any additional compensation paid to Board members.

Recommendation

1. The Board should adopt and implement a comprehensive travel policy that ensures there are adequate controls and oversight of all expenditures.

Good management practices dictate that the Board has the responsibility to initiate correction action. As such, the Board should prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review.

We thank the officials and staff of the Authority for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

³ Consolidated Annual Contributions Contract, Part A, Section 14; signed by HUD and the Authority

APPENDIX A

RESPONSE FROM AUTHORITY OFFICIALS

The Authority officials' response to this audit can be found on the following pages.



FRANK J. SARACINO, Ed. D.
CHAIRMAN

FRANCIS J. AMMENDOLEA
VICE CHAIRMAN

BLANCHE A. SHELTON
SECRETARY

IAN LEIGH
MEMBER

**TOWN OF HEMPSTEAD
HOUSING AUTHORITY**

760 JERUSALEM AVENUE
UNIONDALE, N.Y. 11553-2929
516-485-9666
FAX 516-485-6123

RONNIE W. LAWRENCE
EXECUTIVE DIRECTOR

RALPH J. SERZO
DEPUTY EXECUTIVE DIRECTOR

MICHAEL J. RICIGLIANO, ESQ.
COUNSEL

TENANT MEMBERS
JAMES GRAYDON
BARBARA POLITANO

April 7, 2016

Ms. Ann Singer
Office of the State Comptroller
Division of Local Government and School Accountability
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417

**Re: Response to Draft Audit Report (Report Number: S9-15-77)
Town of Hempstead Housing Authority**

Dear Ms. Singer:

This will follow-up on the letter dated March 9, 2016, from [REDACTED] [REDACTED] Division of Local Government and School Accountability, to the Town of Hempstead Housing Authority ("Housing Authority"), asking for comments on the draft Audit Report ("Draft Report") also dated March 9, 2016. [REDACTED] asked us to respond directly to you in the Binghamton Regional office.

At the outset, the Housing Authority would like to thank you and the State Comptroller's Office for the opportunity to address and respond to the proposed findings in the Draft Report. We also appreciate your Office's courtesies and ability to conduct the audit with little disruption to our daily operations.

The Housing Authority has reviewed the Draft Report and respectfully agrees with the findings and recommendation. Insofar as the travel policy is concerned, the Housing Authority has adopted what we believe is a comprehensive and effective policy that should comply with the Draft Report recommendation and implement adequate controls and oversight of all travel related expenditures. A copy of the Travel Policy is annexed hereto for your review. We do respectfully note that the Housing Authority adopted this policy well before the Draft Report was issued, and in response to various informal discussions that we had with members of your team.

We appreciate your findings in the other areas noted. We will continue to review and address the criteria and guidelines that the Draft Report offers.

Ms. Ann Singer
April 7, 2016
Page 2

Please feel free to contact me if you have any questions or any further comments.

Very truly yours,
TOWN OF HEMPSTEAD HOUSING AUTHORITY

by _____
Ronnie W. Lawrence, Executive Director

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

We reviewed the Authority's administrative costs for the period January 2012 through September 16, 2015. To achieve our audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed Authority officials and staff to gain an understanding of the Authority's policies and procedures associated with the authorization and payment of administrative expenditures.
- We obtained all Authority credit card statements for the audit scope period and determined whether all purchases were accompanied by appropriate supporting documentation and whether purchases, approvals and payment were in compliance with Authority policy and in accordance with the Authority's mission statement.
- We obtained all expenditure report documents for staff identified by our credit card testing as having incurred travel expenditures paid for by the Authority. We reviewed and summarized all staff travel and selected the one travel instance for use in audit testing. For that item selected, we determined whether the travel had been preauthorized and properly documented.
- We obtained copies of employment contracts and Board resolutions relating to compensation and reconciled approved compensation to Authority payroll records.
- We judgmentally reviewed a sample of Authority disbursements related to health benefits by selecting a different month in each year for three years and reviewed the annual report on retirement benefits in each year of the scope period to determine whether expenditures were in compliance with regulations.
- We obtained the Authority's auto insurance policy and determined whether the listed vehicles were used directly in the performance of the Authority's mission.
- We selected a judgmental sample of 20 vendors from Authority records based on the likelihood that personal expenditures could be incurred on behalf of administrators at that vendor and judgmentally reviewed a sample of invoice charges based on dollar value and month incurred to determine whether the charges had a legitimate business purpose.
- We reviewed Authority rental logs to determine whether any rental units were being provided to administrators or commissioners on a subsidized basis.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.