

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES NO Check each applicable box below.** (See instructions for further detail.)

1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.   The local unit has adopted a budget for all required funds.
5.   A public hearing on the budget was held in accordance with State statute.
6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.   The local unit only holds deposits/investments that comply with statutory requirements.
9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.   The local unit is free of repeated comments from previous years.
12.   The audit opinion is UNQUALIFIED.
13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.   The board or council approves all invoices prior to payment as required by charter or statute.
15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature		Printed Name		License Number

ROYAL OAK TWP HOUSING COMMISSION

Financial Statements

March 31, 2007

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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***John C. DiPiero, P.C.***

Certified Public Accountant

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Board of Commissioners  
Royal Oak Twp. Housing Commission  
8900 Cloverdale Avenue  
Ferndale, Michigan 48220

### **Independent Auditor's Report**

I have audited the financial statements of the Royal Oak Twp. Housing Commission Business Type Activities as of and for the year ended March 31, 2007. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the 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 financial statements are free from 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 above present fairly, in all material respects, the financial position of the Royal Oak Twp. Housing Commission as of March 31, 2007, and the changes in its financial position and its 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 15, 2007, on my consideration of the Royal Oak Twp. Housing Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

### **Required Supplemental Information**

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

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*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

### **Combining Financial Statements**

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis 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, are fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

December 15, 2007

Royal Oak Township Housing Commission  
8900 Cloverdale  
Ferndale, MI 48220

Lewis Reynolds, Board Chairperson

As management of the Royal Oak Township Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Royal Oak Township Housing Commission's financial activities for the FYE 3/31/07. This discussion and analysis letter of the Royal Oak Township Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

#### **Overview of the Financial Statements**

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund financial statements because the Commission only has proprietary funds.

#### **Required Financial Statements**

The Statement of Net Assets includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

#### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

**Royal Oak Township Housing Commission Programs:**

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. The Housing Commission also has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

**Entity-Wide Financial Highlights:**

The following Federal Assistance was received during FYE 3/31/07:

	<u>FYE</u> <u>3/31/07</u>	<u>FYE</u> <u>3/31/06</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Public Housing Operating Subsidy	434,697	411,835	22,862	5.55%
Capital Fund Program Grants	161,637	474,207	(312,570)	-65.91%
Total	596,334	886,042	(289,708)	-32.70%

The subsidy for Public Housing decreased due to the HUD pro-ration factor. It should be noted that the subsidy for Public Housing should have increased much more than it did. The small increase is due to the HUD pro-ration factors. The FFY 2005 factor was 88.8%. The FFY 2005 subsidy covered our months of 4/1/05 - 12/31/05. The FFY 2006 factor was 86.02%. The FFY 2006 subsidy applied to the last quarter of FYE 3/31/06 and the first nine months of FYE 3/31/07. The FFY 2007 factor was 83.4%, and this covered our QE 3/31/07. If subsidy had been funded at 100% for both years, we would have received a total of \$513,794 in FYE 3/31/07 and \$473,824 in FYE 3/31/06. The pro-ration factors cost us \$75,121 in FYE 3/31/07 and \$56,665 in FYE 3/31/06.

The decrease in Capital Fund Grants was due to the fact work projects during FYE 3/31/07 proceeded along at a slower pace than in FYE 3/31/06.

The following represents changes in the Balance Sheet:

	<u>FYE</u> <u>3/31/07</u>	<u>FYE</u> <u>3/31/06</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Cash & Investments (incl. 3/06 bank overdraft)	436,687	220,625	216,062	97.93%
Total Current Assets (incl. 3/06 bank overdraft)	556,324	523,916	32,408	6.19%
Fixed Assets, Net of Depreciation	3,228,114	3,504,691	(276,577)	-7.89%
Total Liabilities (excl. 3/06 bank overdraft)	164,970	118,200	46,770	39.57%
Total Equity/Net Assets	3,619,468	3,910,407	(290,939)	-7.44%

Cash and Investments increased substantially because during FYE 3/31/07 we requisitioned funds from HUD on both our Operating Subsidy and Capital Fund Programs in a timely fashion. As a result, most of the cash due to us from HUD was deposited into our accounts as of 3/31/07, although we still had Operating Subsidy due us as of 3/31/07 in the amount of \$79,135. In contrast, during the previous fiscal year, requisitions for funds were not made in a timely fashion, resulting in a receivable from HUD as of 3/31/06 of \$266,822; money that should have been in our bank account, but was not. Had requisitions been timelier in the prior fiscal year, we would not show such a substantial increase from one year to the next.

Total Current Assets increased mainly due to the amount of prepaid insurance and other expenses as of 3/31/07.

Fixed Assets decreased by \$276,577; Although Fixed Assets increased by \$119,098, this was more than offset by depreciation charges of \$402,976, and equipment disposition charges of \$7,301, resulting in the net decrease stated in the above table.

Total Liabilities increased due to an increase in accounts payable. As of 3/31/07, we were on a zero threshold with HUD and did not have authorization at that time to pay several bills; therefore, we had to book them as payables.

Total Net Assets is comprised of two components: Invested in Capital Assets, which mirrors the decrease in Fixed Assets, Net of Depreciation as explained above. The other component is Unrestricted Net Assets, or what used to be called Operating Reserves. This figure decreased due to the Operating Loss generated by the Public Housing Program for FYE 3/31/07.

The following schedule compares the Revenues and Expenses for the current and prior fiscal years:

*Statement of Revenues, Expenses, and Changes in Net Assets*

	<u>FYE</u> 3/31/07	<u>FYE</u> 3/31/06	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
<b>Revenues:</b>				
Tenant Revenue	184,824	174,998	9,826	5.6%
Other Revenue	9,268	13,333	(4,065)	-30.5%
Total PHA generated Revenue	194,092	188,331	5,761	3.1%
Operating Subsidies/Soft Cost Grant Revenue	469,935	437,460	32,475	7.4%
Capital Grants (Hard costs)	126,399	448,582	(322,183)	-71.8%
<b>Total Revenue</b>	<b>790,426</b>	<b>1,074,373</b>	<b>(283,947)</b>	<b>-26.4%</b>
<b>Expenses:</b>				
Administrative	208,878	182,771	26,107	14.3%
Tenant Services	53,177	49,747	3,430	6.9%
Utilities	109,704	101,158	8,546	8.4%
Maintenance	250,528	360,932	(110,404)	-30.6%
General	42,673	48,070	(5,397)	-11.2%
Extraordinary Maintenance	6,786		6,786	
Casualty Losses	928	735	193	26.3%
Depreciation	402,976	312,647	90,329	28.9%
Total Expenses	1,075,650	1,056,060	19,590	1.9%
<b>Net Increase (Decrease)</b>	<b>(285,224)</b>	<b>18,313</b>		

*Revenues:*

Royal Oak Township Housing Commission's primary revenue sources are subsidies and grants received by HUD. Revenue received from HUD in FYE 3/31/07 for Public Housing remained relatively flat from FYE 3/31/06 to 3/31/07. For FYE 3/31/07, revenue generated by the Commission accounted for \$194,092 (or

25% of total revenue), while HUD contributions accounted for \$596,334 (or 75% of total revenue).

*Expenses:*

Total Expenses, excluding Depreciation charges, for FYE 3/31/07 were \$672,674 while for FYE 3/31/06 the total was \$743,413. This represents a 9.5% decrease in Operating Expenditures.

*Budget Analysis:*

Early in the fiscal year, the Board was under the impression that they had approved an Operating Budget. However, it turned out that the prior Director had prepared an Operating Budget that did not correspond to the fiscal year.

In October, the Board requested that the Fee Accountant assist in the preparation of a budget for the Fiscal Year. This Budget projected a loss, and The Board approved this Budget and submitted it to HUD for approval. HUD returned that Budget to the Commission unapproved and instructed the Board to prepare a balanced budget; however, the Board failed to do so and the Housing Commission did not have an approved Operating Budget for FYE 3/31/07.

**Entity-Wide Operational Highlights:**

The Royal Oak Township Housing Commission provided the following housing for low- income elderly and low-income families:

	<u>FYE</u> 3/31/07	<u>FYE</u> 3/31/06
Low Rent Public Housing	128	128

During FYE 3/31/07, Royal Oak Township Housing Commission maintained a lease-up rate of 93.2% in its Public Housing Program. This lease-up rate is under the HUD-prescribed target of 97%. We are working to increase our lease-up rate.

During FYE 3/31/07, our Capital Fund Program work project was the completion of kitchen and bathroom modernization, dryer vent installation, and wash tub drains. This comprehensive project was begun in the prior fiscal and completed during FYE 3/31/07.

**Economic Factors and Next Year's Budget and Rates**

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

A fundamental finding of the Harvard Cost Study is that Public Housing Agencies have been, and continue to be, woefully underfunded by HUD. Yet, due to the federal budget crunch, HUD continues to only pay us only a portion of the subsidy that we are entitled to. Since we fully expect this inadequate funding pattern to continue it is inevitable that cuts in services to our residents will have to be made.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that, in the short term, we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

**Request for Information**

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Lewis Reynolds, Board Chairperson  
Royal Oak Township Housing Commission  
8900 Cloverdale  
Ferndale, MI 48220

ROYAL OAK TWP HOUSING COMMISSION  
Statement of Net Assets  
March 31, 2007

ASSETS

C-3166

CURRENT ASSETS

Cash	\$	237,383	
Accounts Receivable (Net)		85,323	
Investments		199,304	
Prepaid Expenses		<u>34,314</u>	
Total Current Assets	\$		556,324

NON CURRENT ASSETS

Land	\$	126,725	
Buildings & Improvements		2,840,682	
Furniture, Equipment- Administrative		102,739	
Leasehold Improvements		4,739,632	
Accumulated Depreciation		<u>(4,581,664)</u>	
Total Non Current Assets			<u>3,228,114</u>

TOTAL ASSETS \$ 3,784,438

ROYAL OAK TWP HOUSING COMMISSION  
Statement of Net Assets  
March 31, 2007

LIABILITIES

C-3166

LIABILITIES:

CURRENT LIABILITIES

Accounts Payable	\$	56,526
Accrued Wages & Payroll Taxes		9,718
Accrued Compensated Absences		1,083
Tenants Security Deposit		14,250
Account Payable- Other Government		6,477
Deferred Revenues		22,127
Accrued Liabilities- Other		<u>45,041</u>
 <u>Total Current Liabilities</u>		 \$ 155,222

NON CURRENT LIABILITIES

Accrued Compensated Absences-non current		<u>9,748</u>
 <u>Total Liabilities</u>		 \$ 164,970

NET ASSETS:

Invested in Capital Assets, net of Related Debt	\$	3,228,114
Unrestricted Net Assets		<u>391,354</u>
 <u>Total Net Assets</u>		 <u>3,619,468</u>

<u>TOTAL LIABILITIES &amp; NET ASSETS</u>		\$ <u>3,784,438</u>
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The Accompanying Footnotes are an Integral Part of the Financial Statements

ROYAL OAK TWP HOUSING COMMISSION  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the year ended March 31, 2007

OPERATING REVENUE

Tenant Rental Revenue	\$ 174,471	
Tenant Revenue-Other	10,353	
HUD Grants	469,935	
Interest Income	6,647	
Other Income	<u>2,621</u>	
<u>Total Operating Revenue</u>		\$ 664,027

OPERATING EXPENSES

Administrative	\$ 208,878	
Tenant Services	53,177	
Utility Expenses	109,704	
Ordinary Maintenance	250,528	
General Expenses	42,673	
Depreciation Expenses	<u>402,976</u>	
<u>Total Operating Expenses</u>		<u>1,067,936</u>
<u>Operating Income (Loss)</u>		\$ (403,909)

NONOPERATING REVENUE (EXPENSES)

Casualty Losses	\$ (928)	
Extra Ordinary Maintenance	<u>(6,786)</u>	
<u>Total Non-Operating Revenue (Expenses)</u>		<u>(7,714)</u>
<u>Income (Loss) before Contributions</u>		\$ (411,623)

CAPITAL CONTRIBUTIONS

<u>Changes in Net Assets</u>		<u>126,399</u>
<u>Changes in Net Assets</u>		\$ (285,224)
Total Net Assets- Beginning	\$ 3,910,407	
Prior Period Adjustment-CFP Adjustment	<u>(5,715)</u>	<u>3,904,692</u>
<u>Total Net Assets- Ending</u>		<u>\$ 3,619,468</u>

The Accompanying Notes are an Integral part of the Financial Statements

ROYAL OAK TWP HOUSING COMMISSION  
 Combined Statement of Cash Flows  
 For the Year Ended March 31, 2007

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$	187,447
Payments to Suppliers		(268,609)
Payments to Employees		(212,958)
HUD Grants		596,334
Other Receipts (Payments)		<u>9,268</u>
Net Cash Provided (Used) by Operating Activities	\$	311,482

CASH FLOWS FROM CAPITAL AND  
 RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$	<u>(126,399)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$	185,083
Balance- Beginning of Year		<u>52,300</u>
Balance- End of Year	\$	<u>237,383</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET  
 CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$	(285,224)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation		402,976
Changes in Assets (Increase) Decrease:		
Receivables (Gross)		188,877
Investments		181,901
Prepaid Expenses		(5,227)
Changes in Liabilities Increase (Decrease):		
Bank Overdraft		(132,880)
Accounts Payable		44,907
Accrued Liabilities		(5,226)
Accrued Compensated Absences		7,878
Security Deposits		421
Accounts Payable- Other Governments		(15,251)
Deferred Revenue		<u>18,144</u>
Net Cash Provided by Operating Activities	\$	<u>311,482</u>

The Accompanying Notes are an Integral part of the Financial Statements

ROYAL OAK TWP HOUSING COMMISSION  
Notes to Financial Statements  
March 31, 2007

NOTE 1: Summary of Significant Accounting Policies

**Reporting Entity-**

Royal Oak Twp Housing Commission, Ferndale, Michigan, (Commission) was created by ordinance of the Township of Royal Oak. The Commission signed an Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 33-1, 2	Low rent program	128 units
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In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

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 a 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 criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, there are no component units.

These criteria were considered in determining the reporting entity.

**Basis of Presentation-**

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

## Notes to Financial Statements- continued

### Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body 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 (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

### **Basis of Accounting-**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1999, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1999, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 31, 1989, unless they conflict with Governmental Accounting Standards Board (GASB) pronouncements.

### **Budgetary data-**

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

### **Assets, Liabilities, and Net Assets-**

#### Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

#### Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Notes to Financial Statements- continued

Due to/From Other Funds

During the course of operations, numerous transactions occur between individual funds for goods or services; these receivables and payables are classified as "due from" or "due to" other funds on the Balance Sheet.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	27.5 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

Checking Accounts	\$ 237,183
Petty Cash	<u>200</u>
Financial Statement Total	<u>\$ 237,383</u>

Investments:

Governmental Bonds & Notes	\$ 199,304
----------------------------	------------

Notes to Financial Statements- continued

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	Categories			Carrying Amount	Market Value
	1	2	3		
Cash:					
Checking A/C's	\$ 237,183	\$	\$	\$ 237,183	\$ 237,183
Petty Cash	<u>200</u>	<u></u>	<u></u>	<u>200</u>	<u>200</u>
 Total Cash	 \$ <u>237,383</u>	 \$ <u></u>	 \$ <u></u>	 \$ <u>237,383</u>	 \$ <u>237,383</u>
Investments:					
Bonds & Notes	\$ <u>199,304</u>	<u></u>	<u></u>	\$ <u>199,304</u>	\$ <u>199,304</u>

Note 3: Accounts Receivable

Accounts Receivable consist of the following:

Accounts Receivable- Tenants	\$ 16,248	
Allowance for Doubtful Accounts	<u>(13,752)</u>	\$ 2,496
Accounts Receivable-other		3,692
Accounts Receivable HUD		<u>79,135</u>
		 \$ <u>85,323</u>

Note 4: Prepaid Expenses

Prepaid expenses consist of unused insurance premiums covering future periods. The benefits of the insurance will be written off systematically over the remaining periods until fully expired.

Note 5: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	Beginning of Year	Additions	Deletions	End of Year
Land	\$ 126,725	\$	\$	\$ 126,725
Buildings	2,840,682			2,840,682
Furniture & Equipment-Admin	110,040		7,301	102,739
Leasehold Improvements	<u>4,613,233</u>	<u>126,399</u>	<u></u>	<u>4,739,632</u>
	\$ 7,690,680	\$ 126,399	\$ 7,301	\$ 7,809,778
Less Accumulated Depreciation	<u>4,185,989</u>	<u>402,976</u>	<u>7,301</u>	<u>4,581,664</u>
	\$ <u>3,504,691</u>	\$ <u>(276,577)</u>	\$ <u>0</u>	\$ <u>3,228,114</u>

Notes to Financial Statements- continued

Note 6: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 7: Combining Financial Data Schedules.

The totals in the Combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Note 8: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 13,858,000
General Liability	1,000,000
Errors & Omissions	1,000,000
Automobile	1,000,000
Worker's Compensation and other riders: Coverage's required by the State of Michigan	

Note 9: Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the 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 these estimates.

Royal Oak Twp Housing Commission

31-Mar-07

MI033

Combining Balance Sheet

Line Item #		Low Rent 14.850	Capital Projects Funds 14.872	TOTAL
	<b>ASSETS:</b>			
	<b>CURRENT ASSETS:</b>			
	Cash:			
111	Cash - unrestricted	208,906	14,227	223,133
112	Cash - restricted - modernization and developmer		-	-
113	Cash - other restrictec			-
114	Cash - tenant security deposit	14,250		14,250
100	Total cash	223,156	14,227	237,383
	Accounts and notes receivables			
121	Accounts receivable - PHA project			-
122	Accounts receivable - HUD other project	79,135		79,135
124	Accounts receivable - other govermmer	-		-
125	Accounts receivable - miscellaneous	3,692	-	3,692
126	Accounts receivable- tenants - dwelling rent	16,248		16,248
126.1	Allowance for doubtful accounts - dwelling rent	(13,752)		(13,752)
126.2	Allowance for doubtful accounts - othe			-
127	Notes and mortgages receivable- curren			-
128	Fraud recovery			-
128.1	Allowance for doubtful accounts - fraud			-
129	Accrued interest receivabl			-
120	Total receivables, net of allowances for doubtful account	85,323	-	85,323
	Current investments			
131	Investments - unrestrictec	199,304		199,304
132	Investments - restrictec			-
142	Prepaid expenses and other asset	34,314		34,314
143	Inventories			-
143.1	Allowance for obsolete inventorie			-
144	Interprogram - due fron	-	-	-
146	Amounts to be providec			-
150	TOTAL CURRENT ASSETS	542,097	14,227	556,324
	<b>NONCURRENT ASSETS:</b>			
	Fixed assets:			
161	Land	126,725		126,725
162	Buildings	2,840,682		2,840,682
163	Furniture, equipment & machinery - dwelling	-		-
164	Furniture, equipment & macinery - administratio:	88,444	14,295	102,739
165	Leasehold improvement:	4,384,836	354,796	4,739,632
166	Accumulated depreciator	(4,557,573)	(24,091)	(4,581,664)
167	Construction in Progress:		-	-
160	Total fixed assets, net of accumulated depreciatio	2,883,114	345,000	3,228,114
171	Notes and mortgages receivable - non-currer			-
172	Notes and mortgages receivable-non-current-past du			-
174	Other assets			-
175	Undistributed debits:			-
176	Investment in joint venture:			-
180	TOTAL NONCURRENT ASSETS	2,883,114	345,000	3,228,114
190	<b>TOTAL ASSETS</b>	3,425,211	359,227	3,784,438

	<b>LIABILITIES AND EQUITY:</b>			
	<b>LIABILITIES:</b>			
	<b>CURRENT LIABILITIES</b>			
311	Bank overdraft	-		-
312	Accounts payable ≤ 90 days	56,526		56,526
313	Accounts payable > 90 days past due	-		-
321	Accrued wage/payroll taxes payable	9,718		9,718
322	Accrued compensated absence	1,083		1,083
324	Accrued contingency liability	-		-
325	Accrued interest payable			-
331	Accounts payable - HUD PHA program		-	-
332	Accounts Payable - PHA Project			
333	Accounts payable - other government	6,477		6,477
341	Tenant security deposits	14,250		14,250
342	Deferred revenues	7,900	14,227	22,127
343	Current portion of Long-Term debt - capital project			-
344	Current portion of Long-Term debt - operating borrowing			-
345	Other current liabilities	45,041	-	45,041
346	Accrued liabilities - other	-	-	-
347	Inter-program - due to	-	-	-
310	<b>TOTAL CURRENT LIABILITIES</b>	<b>140,995</b>	<b>14,227</b>	<b>155,222</b>
	<b>NONCURRENT LIABILITIES:</b>			
351	Long-term debt, net of current- capital project			-
352	Long-term debt, net of current- operating borrowing			-
353	Noncurrent liabilities- other:	-		-
354	Accrued Compensated Absences-Non Current	9,748		9,748
350	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>9,748</b>	<b>-</b>	<b>9,748</b>
300	<b>TOTAL LIABILITIES</b>	<b>150,743</b>	<b>14,227</b>	<b>164,970</b>
	<b>EQUITY:</b>			
501	Investment in general fixed asset			-
	<b>Contributed Capital:</b>			
502	Project notes (HUD)	-		-
503	Long-term debt - HUD guaranteed	-		-
504	Net HUD PHA contributions:	-	-	-
505	Other HUD contributions	-		-
507	Other contributions			-
508	Total contributed capital	-	-	-
508.1	Invested in Capital Assets Net of Related Debt	2,883,114	345,000	3,228,114
	<b>Reserved fund balance</b>			
509	Reserved for operating activities			-
510	Reserved for capital activities:	-		-
511	Total reserved fund balance	-	-	-
511.1	Restricted Net Asset:	-	-	-
512.1	Unrestricted Net Asset:	391,354		391,354
513	<b>TOTAL EQUITY</b>	<b>3,274,468</b>	<b>345,000</b>	<b>3,619,468</b>
600	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,425,211</b>	<b>359,227</b>	<b>3,784,438</b>

- - -

Royal Oak Twp. Housing Commission

31-Mar-07

MI033

Combining Income Statement

Line Item #		Low Rent 14.850	Capital Projects Fund 14.872	TOTAL
	<b>REVENUE:</b>			
703	Net tenant rental revenue	174,471	-	174,471
704	Tenant revenue - other	10,353		10,353
705	Total tenant revenue	184,824	-	184,824
706	HUD PHA Operating grants	434,697	161,637	596,334
706.1	HUD PHA Capital grants		-	-
708	Other government grants	-		-
711	Investment income - unrestricted	6,647	-	6,647
712	Mortgage interest income	-		-
714	Fraud recovery			-
715	Other revenue	2,621		2,621
716	Gain or loss on the sale of fixed asset			-
720	Investment income - restricted		-	-
700	<b>TOTAL REVENUE</b>	<b>628,789</b>	<b>161,637</b>	<b>790,426</b>
	<b>EXPENSES:</b>			
	Administrative			
911	Administrative salaries	73,357	-	73,357
912	Auditing fees	6,050	-	6,050
913	Outside management fees		-	-
914	Compensated absence	7,878		7,878
915	Employee benefit contributions- administrative	33,790	-	33,790
916	Other operating- administrative	87,803	-	87,803
	Tenant services			
921	Tenant services - salaries	36,223		36,223
922	Relocation costs	-		-
923	Employee benefit contributions- tenant services	16,895		16,895
924	Tenant services - other	59		59
	Utilities			
931	Water	86,797		86,797
932	Electricity	12,138		12,138
933	Gas	10,769		10,769
934	Fuel			-
935	Labor			-
937	Employee benefit contributions- utilities			-
938	Other utilities expenses	-		-
	Ordinary maintenance & operations			
941	Ordinary maintenance and operations - labor	103,378		103,378
942	Ordinary maintenance and operations - materials & other	28,935	-	28,935
943	Ordinary maintenance and operations - contract cost	69,517	-	69,517
945	Employee benefit contributions- ordinary maintenance	48,698		48,698
	Protective services			
951	Protective services - labor			-



ROYAL OAK TWP HOUSING COMMISSION  
Schedule of Annual Federal Awards  
For the Year Ended March 31, 2007

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
* <u>CFDA 14.850 Public and Indian Housing</u>	
C-3166 Operating Subsidies	\$ <u>434,697</u>
<u>CFDA 14.872 Capital Fund Program</u>	
C-3166 Capital Fund Program	\$ <u>161,637</u>
	\$ <u>596,334</u>

\*Connotes Major Program Category

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

ROYAL OAK TWP HOUSING COMMISSION  
Status of Prior Audit Findings  
March 31, 2007

The prior audit of the Royal Oak Twp Housing Commission for the period ended March 31, 2007, contained four audit findings; the corrective action taken by the Commission is as follows:

- 1) Excessive Accounts Receivable- the level of Accounts Receivable has decreased, however, still above acceptable levels; see finding.
- 2) Davis Bacon Act Discrepancies- same situation exists in the current year; see finding.
- 3) Inspector General Audit Report- issues still not resolved; see finding.
- 4) Tenant Accounting Discrepancies- Several items appear to still be an issue, income verification, utility allowances, and other items- see finding.
- 5) No Approved Operating Budget- have not had an approved (HUD) operating budget since fiscal year 2004- see finding.
- 6) Procurement Policy violations- No evidence of procurement contract violations in the current audit period.

ROYAL OAK TWP HOUSING COMMISSION  
Report on Compliance and on Internal Control over  
Financial Reporting Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards*  
March 31, 2007

I have audited the financial statements of the Royal Oak Twp. Housing Commission of Ferndale, Michigan, as of and for the year ended March 31, 2007, and have issued my report thereon dated December 15, 2007. I conducted my audit in accordance with generally accepted auditing standards 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 Commission'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*, see findings section in this report.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Commission'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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weakness.

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

Certified Public Accountant  
Hemlock, Michigan  
December 15, 2007

ROYAL OAK TWP HOUSING COMMISSION  
 Report on Compliance with Requirements  
 Applicable to Each Major Program  
 and on Internal Control over Compliance in  
 Accordance with OMB Circular A-133  
 March 31, 2007

Compliance

I have audited the compliance of the Royal Oak Twp. Housing Commission of Ferndale, Michigan, 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 March 31, 2007. The Commission's major federal programs are identified in the summary of auditors' 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 the Commission's management. My responsibility is to express an opinion on the Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; 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 Commission'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 Commission's compliance with those requirements.

In my opinion, except for the following, Royal Oak Twp. Housing Commission 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 March 31, 2007. 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:

Low Rent Public Housing:

<u>Finding</u>	<u>Audit Number</u>	<u>Compliance Requirements</u>
Excessive Accounts Receivable	03-1	Program Income
Inspector General Audit	04-4	Equipment and Real Property Management, Other Requirements
Tenant Accounting Discrepancies	06-1	Eligibility
No Operating Budget	06-2	Other
Management Assessment for Public Housing Agencies	07-1	Reporting

Capital Fund Program:

Davis Bacon Act Discrepancies	03-4	Davis Bacon Act
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Internal Control Over Compliance in Accordance with OMB Circular A-133

The management of the Commission 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 Commission'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 weakness. 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 weakness.

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

Certified Public Accountant  
Hemlock, Michigan  
December 15, 2007

ROYAL OAK TWP HOUSING COMMISSION  
 Schedule of Findings and Questioned Cost  
 March 31, 2007

**Summary of Auditor's Results:**

Programs:

	Major Program	Non Major Program
Low income Public Housing	X	
Capital Projects Fund	X	

Opinions:

General Purpose Financial Statements-

Unqualified

Material weakness(es) noted	_____ Yes	_____ <u>X</u> No
Reportable condition(s) noted	_____ Yes	_____ <u>X</u> No
Non Compliance material to financial statements noted	_____ Yes	_____ <u>X</u> No

Report on compliance for Federal programs-

Qualified

Material weakness(es) noted	_____ Yes	_____ <u>X</u> No
Reportable condition(s) noted	_____ <u>X</u> Yes	_____ No
Non Compliance material to financial statements noted	_____ Yes	_____ <u>X</u> No

Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

The Auditee did not qualify as a low risk auditee.

Name of Federal Program	Major Program	Questioned Costs	Audit Finding Number
Low Rent Public Housing	Yes	None	03-1; 04-4; 06-1; 06-2; 07-1
Capital Projects Fund	Yes	None	03-4

ROYAL OAK TWP HOUSING COMMISSION  
Schedule of Findings, Recommendations and Replies  
March 31, 2007

The following findings of the Royal Oak Twp Housing Commission, for the year ended March 31, 2007, were discussed with the Property Supervisor, Ms. Sabrina Gaddy, in an exit interview conducted December 21, 2007:

Finding 03-01:

Excessive Accounts Receivable.

Average tenant accounts receivable March 31, 2007, were \$ 127. per unit, HUD prescribes \$ 15 per unit average as acceptable. This is a repeat finding.

**Recommendation**

The average out-standing balance in the past years has not changed, and is well beyond HUD's suggested level; for the year ended March 31, 2004 the average was \$ 90, in 2005 \$ 125, 2007 \$ 147, and this year \$ 127.

In the past, the Commission had staffing problems, however, the current staff has been in place for the entire fiscal year; the Commission needs to concentrate on collections and enforcing the rent collection policy.

I recommend the Commission continue in it's efforts to get the accounts receivable level below the minimum threshold as required by HUD.

**Reply**

Royal Oak Township Housing Commission (ROTHC) has hired Fourmidable, a management company with extensive experience in public housing. We feel that this will reduce the tenant account receivables.

Finding 03-04:

Davis Bacon Act Discrepancies

The Commission did not copies of certified payrolls from the contractors; no wage interviews were completed- other grant documentation was unfound. This is a repeat finding.

**Recommendation**

The Commission's filing system appears to be inadequate; original project files (specifications, wage determination, progress reports, etc.) were unfound, final payments did have authorization considering that a contract existed, but the Commission needs to organize the filing and retain proper documentation of grant activity.

I recommend the Commission obtain proper documentation, like the certified payrolls, and maintain the information in a retrievable manner.

**Reply**

Royal Oak Township Housing Commission (ROTHC) has hired Fourmidable, a management company that has experience with complying with the Davis Bacon Act.

Finding 04-4: Inspector General Audit Report 2004.

The Office of Inspector General (IG) for HUD conducted an audit of the Royal Oak Twp. Housing Commission and issued their report on November 29, 2004. The report cited the following findings:

- Public Housing Units did not meet Federal Requirements for Physical Condition and Handicap Accessibility
- Board Commissioners Interfered with the Day-to-Day Operations of the Housing Commission
- Several requests to re-pay funds which were disallowed.

This is a repeat finding.

Recommendation

The IG audit has been unresolved for the past two years; a recent communication from the Office of Public Housing had 12 points which must be resolved. The answer to 3 of the twelve were as follows:

"the PHA does have interest bearing Reserve accounts what can be used to repay the program."

The response is offered in the following points-

- 1A: Reimburse its Public Housing Program \$ 367,516 from Non-Federal funds for improper use of HUD operating subsidy.
- 2A: Reimburse its Public Housing Program \$ 45,220 from non-federal funding for the operating subsidy that was not used in accordance with the HUD's One Strike and you're out Policy.
- 2C: Reimburse its Public Housing Program \$ 3,340 from non-federal funds for the ineligible travel costs.

I believe this suggests that interest income is now considered non-federal funds; however, it is unclear who and where the repayment is to made? The recommendation, "the PHA does have interest bearing Reserve accounts what can be used to repay the program", implies that a check needs to be issued, but no address was included; if the request implies that the Public Housing Program be reimbursed, using interest income, how about the interest income earned since the inception of the program in 1966? Enough interest has been earned over the years to consider the above amounts have already been repaid.

Just as last year, I recommend HUD add clarity to its request and allow the Commission a reasonable opportunity to correct the deficiencies.

Reply

Royal Oak Township Housing Commission (ROTHC) has hired Fourmidable and plans to meet with HUD to discuss finding a solution.

Finding 06-01:

Tenant Accounting Discrepancies.

The following discrepancies were noted in a recent review of tenant files:

- 4 of 7 files lacked proper income verification
- 4 of 7 files were re-examined late
- none of the 7 had a rent-choice election
- utility allowances have not been reviewed in several years

The income verification and utility allowances are re-peat findings.

**Recommendation**

Even though the sample size was small (5%), it demonstrated several problems which may be applicable to the entire population. HUD requires certain third party documentation and forms be included within the files.

I recommend the Commission train and monitor the individuals responsible for tenant leasing and continued occupancy. In addition, I recommend the Commission institute a plan to review all tenant files to insure compliance.

**Reply**

Royal Oak Township Housing Commission (ROTHC) has hired Fourmidable, a management company with experience completing recertifications, utility allowance calculations, and all other items listed under Tenant Accounting Discrepancies.

Finding 6-2:

No HUD Approved Operating Budget.

The Commission did not have a HUD approved operating budget for the period April 1, 2006 to March 31, 2007; they have not had a HUD approved operating budget since 2004.

-This is a repeat finding.

**Recommendation**

The Commission and HUD have been at a stand-off concerning the operating budget; meanwhile, the Commission continues to operate based on their own budget.

Currently, HUD is approving all cash disbursements- what budget or authority are they using?

I recommend the Commission prepare and HUD approve an annual budget; it is crucial that the Commission or HUD have some guidelines to monitor operations.

**Reply**

Royal Oak Township Housing Commission (ROTHC) has hired Fourmidable, a management company with experience complying with HUD guidelines regarding operating budgets and we are also working with HUD to correct items what resulted in prior budgets not being approved.

Finding 7-1:

Management Assessment for Public Housing Agencies Deficiencies.

**Recommendation**

The Management Assessment for Public Housing Agencies lacked proper documentation concerning the Unit Turnover component. The Commission uses a software tracking system and had entered the vacant units, however, failed to continue to entry the issued to maintenance and maintenance completion data; therefore, the information entered on the report is not supported by the underlying documentation.

I recommend the Commission complete the underlying required data to complete the Management Assessment for Public Housing Agencies

**Reply**

Fourmidable will make sure in the future that the Royal Oak Township Housing Commission (ROTHC) properly documents Unit Turnover.