

**BOSTON HOUSING AUTHORITY
AGREED-UPON PROCEDURES
YEAR ENDED MARCH 31, 2018**



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Boston Housing Authority
Boston, Massachusetts

We have performed the procedures enumerated below, which were agreed to by Boston Housing Authority the specified parties), to comply with the required procedures enumerated in the attached, which were agreed to by the Department of Housing and Community Development (the "DHCD", related to Boston housing Authority's compliance with Chapter 235 "An Act Relative to Local Housing Authorities" (the "Act") as of and for the year ended March 31, 2018. Boston Housing Authority's management is responsible for the compliance with the Act. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

A. Rent Collection / Tenant Receivables / Account Write-Offs

Procedures:

1. Obtained from management a listing of Accounts Receivable Activity for state-aided funds processed by the Boston Housing Authority for the period April 1, 2017 through March 31, 2018. Performed the following steps:
 - a. Compared total revenue to the General Ledger and Operating Statement (51-1 Form)
 - b. Haphazardly selected nine cash receipts from the above period for deposits processed by the Boston Housing Authority for the state-aided funds, obtained supporting documents from management for each selection and perform the following for each selection:
 - i. Verified log of rent collected is complete, accurate and includes all necessary information
 - ii. Verified post-dated checks for current amount due is not accepted payment
 - iii. Traced the rental amounts selected to the deposit slip for the Bank Account.
 - iv. Traced the deposit to the Bank Statement, the posting in the general ledger, and the posting in the Tenant's Account.
2. Documented and evaluated internal control and segregation of duties related to rent collection.
3. Obtained from management an Aging of Tenant Accounts Receivable for state-aided funds processed by the Boston Housing Authority for March 31, 2018. Performed the following steps:
 - a. Compared to the General Ledger and Balance Sheet (51-2 Form).

- b. Haphazardly selected nine uncollected Tenant Accounts Receivable accounts from the above period for the state-aided funds and reviewed tenant account to verify rent collection is in compliance with the Boston Housing Authority rent collection policy. Reviewed tenant activity to determine if the tenant was still active in the program and if the outstanding balance was subsequently collected or written-off.
 - c. Reviewed the Boston Housing Authority's Allowance for Doubtful Accounts calculation for reasonableness, that the estimate is calculated on an annual basis and that the allowance is in accordance with GAAP. Verified repayment agreements reconcile to the Balance Sheet/Operating Statement and are in accordance with DHCD policy.
4. Obtained detail of write-offs and verify that the write-offs are in accordance with the Boston Housing Authority policy. Verified there is documentation of board approval to write-off account.

Results:

- Step 1 – We obtained the Accounts Receivable Activity for state-aided funds noted above and compared the balance to the General Ledger and Operating Statement (51-1 Form). We noted a variance of \$73,958 between the Operating Statement and the General Ledger. We selected 9 cash receipts for state-aided funds and performed the procedures enumerated above, noting no exceptions.
- Step 2 – Documented and evaluated internal controls and segregation of duties for Step 1 above. No issues noted.
- Step 3 – We obtained an Aging of Tenant Accounts Receivable for state-aided funds noted above and compared the balance to the General Ledger and Balance Sheet (51-2 Form) and noted a variance of \$71,080 between Operating Statement and General Ledger and a variance of \$1,847 between the Aging of Tenant Accounts Receivable and the General Ledger. We selected nine uncollected Tenant Accounts Receivable accounts for state-aided funds and performed the enumerated above, noting no exceptions. We reviewed the Boston Housing Authority's Allowance for Doubtful Accounts for state-aided funds and performed the procedures enumerated above, noting no exceptions. The Authority did not reconcile the Accounts Receivable Aging to the Balance Sheet. As such we were unable to verify that repayment agreements agreed to the Balance Sheet.
- Step 4 – We reviewed the Boston Housing Authority's detail of write-offs for state-aided funds and performed the procedures enumerated above, noting no exceptions. Per discussion with management, write-off of accounts is performed on an annual basis which has been changed to quarterly for 2019. Since there is no Board of Directors there is no formal approval for the write-offs.

B. Payroll / Fringe Benefits

Procedures:

1. Obtained from management payroll journal extracts for the fiscal year. Verified analytically that the FYE-end wages gross payroll reported on the General Ledger matches actual wage amounts reported on Forms 941 and WR-1. Obtained the DCHD-approved budget *Schedule of All Salaries and Positions "Report"* in HAFIS and identified the five highest paid salaries. Verified analytically that it matches the amount reported at fiscal year-end on the Authority's Top 5 Compensation Form. Verified the amount reported on the Top 5 Compensation Form matches exactly the amount reported on reconciled Form 941 and the corresponding state online submission form. Verified that the Authority is in possession of DHCD-approved executive contract signed by the Authority, Executive Director, and DHCD.
2. Selected a single pay period and performed the following procedures:
 - a. Traced timesheets/timecards to the payroll register
 - b. Tested for completeness and accuracy
 - c. Verified proper controls and approvals were in place
3. Obtained a copy of the compensated absences liability schedule. Tested the schedule for consistency with personnel policy, and reconciles the schedule to Form 51-2 (Balance Sheet) and the General Ledger. Verified proper controls and approvals are in place related to approval of employee compensated absences. Verified compensated absences are tracked apart from the time sheets and verification with timesheets is performed. Verified accrued and accumulated leave time matches and time is accruing as it should. Verified analytically future liabilities future liabilities for employee benefits (GASB 45 and GASB 68) are properly reflected on Form 51-1 (Operating Statement) and Form 51-2 (Balance Sheet).

Results:

- Step 1 – The following are the results of wage reconciliation procedures:
 - Obtained an extract from the weekly payroll journals. Verified that fiscal year-end wages gross payroll reported on the general ledger matches actual wage amounts reported on Forms 941. The WR-1 form was not provided by the Authority and therefore we were unable to perform procedures related to that form.
 - Identified the five highest paid salaries from the *Schedule of All Salaries and Positions "Report"*. Verified this Report matches the amounts reported at fiscal year-end on the Top 5 Compensation Form. The Form 941 does not have a separate line item for Top 5 Compensation and therefore we were unable to perform that step. The Authority did not provide a copy of the state online submission form and we were therefore unable to verify Top 5 compensation agrees.
 - The Administrator of the Authority is appointed by the Mayor of Boston. His salary is also approved by the Mayor of Boston. There is no agreement or contract in place.

- Step 2 – Selected a single pay period and haphazardly selected 20 employees to test the attributes noted above. No exceptions noted.
- Step 3 – Obtained a copy of the compensated absences schedule. Compared the schedule to the Form 51-2. The Form 51-2 was not updated to reflect the actual amount for March 31, 2018. The Form 51-2 still reflected prior year amounts. Exception noted. Obtained the GASB 45 and GASB 68 actuarial reports. The Authority did not provide supporting documentation to show the cross-walk from the actuarial reports to the Forms 51-1 and 51-2. Exception noted.

C. Accounts Payable/Disbursements

Procedures:

1. Obtained from management a listing of cash disbursements for state-aided funds processed by the Boston Housing Authority for the period April 1, 2017 through March 31, 2018. Haphazardly selected nine disbursements from the above period for disbursements processed by the Boston Housing Authority for the state-aided funds, obtained supporting documents from management for each selection and perform the following for each selection:
 - a. Examined the invoice for evidence of approval by approved authorizer.
 - b. Agreed purchase price and vendor information from the invoice to the disbursement.
 - c. Examined cancelled checks to verify proper signatures were on the check and that the check was properly cancelled.
 - d. Examined invoices to verify support of the account coding per the disbursement listing.
 - e. Traced invoice amounts to the general ledger to verify the amounts were recorded in the proper program and account.
 - f. For those invoices allocated, examined the allocation to verify proper recording.
2. Obtained from management a listing of credit card expenditures for state-aided funds processed by the Boston Housing Authority for the period April 1, 2017 through March 31, 2018. Haphazardly selected 18 credit card expenditures from the above period, obtained supporting documents from management for each selection and performed the following for each selection:
 - a. Examined the credit card statement and summary of charges breakdown for evidence of approval by approved authorizer.
 - b. Examined supporting documentation and compare to the summary of charges breakdown.
 - c. Agreed total charges and vendor information from the charges breakdown to the disbursement.
 - d. Examined cancelled checks to verify proper signatures were on the check and that the check was properly cancelled.

- e. Examined summary of charges breakdown to verify support of the account coding per the disbursement listing.
 - f. Traced check request amounts to the general ledger to verify the amounts were recorded in the proper program and account.
 - g. Examined supporting documentation to ensure expenditures were allowable and no sales tax was paid.
 - h. Examined the credit card/debit card to ensure the card was in the Housing Authority's name.
3. Obtained from management a listing of employee reimbursements for state-aided funds processed by the Boston Housing Authority for the period April 1, 2017 through March 31, 2018. Haphazardly selected nine employee reimbursements (included at least one travel reimbursement in the selections) from the above period, obtained supporting documents from management for each selection and perform the following for each selection:
- a. Examined the check request for evidence of approval by approved authorizer.
 - b. Examined supporting documentation and compared to the check request.
 - c. Agreed reimbursement amount and employee information from the check request to the disbursement.
 - d. Examined cancelled checks to verify proper signatures were on the check and that the check was properly cancelled.
 - e. Examined check request to verify support of the account coding per the disbursement listing.
 - f. Traced check request amounts to the general ledger to verify the amounts were recorded in the proper program and account.
 - g. Examined supporting documentation to ensure employee reimbursements were allowable.

Results:

- Step 1 – We selected nine disbursements for state-aided funds and performed the procedures enumerated above, noting no exceptions.
- Steps 2 – We selected 18 credit card transactions for state-aided funds and performed the procedures enumerated above, noting no exceptions.
- Steps 3 – We selected nine employee reimbursements for state-aided funds and performed the procedures enumerated above, noting no exceptions. We were unable to determine if any of our selections were related to travel reimbursements as the employee reimbursement listing did not provide this level of detail.

D. Inventory (Fixed Assets)

Procedures:

1. Obtained a copy of the depreciation schedule and fixed asset listing and performed the following procedures:
 - a. Verified inventory listing includes both capitalized and non-capitalized items of \$1,000 or more. It also includes all necessary information, including a tag with an LHA-assigned number for all assets of \$1,000 or more.
 - b. Verified the depreciation schedule includes all relevant assets of \$5,000 or more. It also includes all necessary information to sufficiently identify an assets.
 - c. Verified items on the depreciation schedule and fixed asset listing are being accurately depreciated.
 - d. Reconciled the deprecation schedule and fixed asset listing to the Operating Statement (Form 51-1) and the General Ledger.
 - e. Verified analytically that items listed still exist and in possession by the Agency
 - f. Verified assets are appropriately allocated between Federal and State on the General Ledger, Operating Statement (Form 51-1) and depreciated according to which funds were used for purchase.
2. Verified that the capitalization policy is within state established limits.
3. Confirmed vehicles are listed on the fixed asset listing and trace vehicles listed to insurance policies.

Results:

- Step 1-a – The Authority does not have an inventory listing by LHA-assigned number. Exception noted.
- Step 1b-c– The depreciation schedule and fixed asset listing does not provide the necessary information to sufficiently identify an asset. As such, we were unable to determine if the items on the listing are being accurately depreciated.
- Step 1d and Step 1f – The depreciation schedule and fixed asset listing did not tie for Form 51-1 (Operating Statement). As such we were unable to determine if assets were appropriately allocated between Federal and State on the General Ledger.
- Step 1e – The Authority does not maintain an inventory listing, including an assigned tag number for all capitalized and non-capitalized items. As such, this procedure was unable to be performed.
- Step 2 – Reviewed a copy of the capitalization policy noting it is within state established limits.

- Step 3 – Reviewed the fixed asset listing and noted that vehicles are included. For one out of seven vehicles on the fixed asset listing, the Agency did not provide a copy of the insurance policy.

E. Procurement / Public Bidding for Goods and Services

Procedures:

Examined the cash disbursements journals as well as the contract registers to identify purchases of goods and services that should have been competitively procured. From these purchase, selected a sample of nine procurements. For the items selected, performed the following procedures:

- 1.Verified that sampled purchases for goods and services were competitively procured.
- 2.For known procurements valuing \$10,000 up to and including \$50,000 performed the following procedures:
 - a.Proper selection based on MGL c.30B s.5 solicitation of quotes requirements
 - b.Documentation of a written purchase description with solicitation of written quotes from at least three persons
 - c.Contract is DCHD-approved template or developed by the Agency
 - d.Contract was not for more than three years
 - e.Board vote is documented approving individual contract
 - f.Contract did no go through automatic renewals unless renewals were part of the original procurement
 - g.Agency procurement policy exists and is compliance with MGL c. 30B elements noted above
- 3.For known procurements valuing more than \$50,000 performed the following procedures:
 - a.Proper selection based on MGL c.30B s.5 IFB requirements or MGL c.30B s.6 RFP requirements
 - b.Documentation of newspaper advertisement, Agency's Office and COMMUYS two weeks prior to bidding process
 - c.If contract was over \$100,000, it was advertised in the Goods & Services bulletin
 - d.If IFB, contract award went to lowest bidder
 - e.Contract is DCHD-approved template or developed by the Agency
 - f.Contract was not for more than three years
 - g.Board vote is documented approving individual contract

h. Contract did not go through automatic renewals unless renewals were part of the original procurement

i. Agency procurement policy exists and is in compliance with MGL c. 30B elements noted above

4. Obtained a copy of the contract register and verified the following:

a. Contract register existed and included all modernization as well as goods and services contracts

b. For each contract, it included contractor, description, active/inactive, start date, end date, extensions available, contract award amount, change orders amount, contract expenditures to date and remaining value

c. Evaluated the contract register for completeness by analyzing the cash disbursements journal against the contract register.

Results:

- Step 1 – Selected a sample of nine contracts (two contracts less than \$50,000 and seven contracts greater than \$50,000) and verified that they have been competitively procured.
- Step 2 – Selected a sample of two contracts valuing \$10,000 up to \$50,000 and performed the procedures enumerated in Step 2 above, noting no exceptions.
- Step 3 – Selected a sample of seven contracts valuing greater than \$50,000 and performed the procedures enumerated in Step 3 above, noting no exceptions.
- Step 4 – Obtained a copy of the contract register and verified it included items noted in Step 4 above. For each contract it is noted that the information listed in Step 4 above is included. Evaluated the register for completeness by analyzing the cash disbursements journal against the contract register. No exceptions noted.

F. Cash Management and Investing Practices

Procedures:

1. Obtained from management the state-aided monthly bank reconciliations and selected two months, March 2018 and September 2017 and performed the following:
 - a. Examined the selected monthly bank reconciliations to verify that the general ledger and bank statements match.
 - b. Reviewed the reconciliations to verify outstanding checks are listed as part of the reconciliation process.
2. Obtained from management the Collateralized Banking Agreement to verify that the banking and investment accounts are properly insured or collateralized.

Results:

- Step 1a – We selected two months bank reconciliations for state-aided funds and performed the procedures enumerated above, noting a variance of \$8,859 and \$32,514 for March 2018 and September 2017, respectively, compared to the general ledger detail.
- Step 1b – We selected two months bank reconciliations for state-aided funds and performed the procedures enumerated above, noting no exceptions.
- Step 2 – We examined the Collateralized Banking Agreement and performed the procedures enumerated above, noting no exceptions.

G. Operating Subsidy

Procedures:

1. Compared DHCD-approved budget exemptions for direct reimbursement to the Boston Housing Authority record of actual expenses to the General Ledger.
2. Compared revenue reported in the General Ledger and amounts reported in the ANUEL & Subsidy Worksheet.
3. Compared utilities reported on the Operating Statement (51-1 Form) to the General Ledger to the amounts reported in the ANUEL & Subsidy Worksheet.

Results:

- Step 1 – We reviewed managements comparison of the DHCD approved budget noted above noting no exceptions.
- Step 2 - We compared the revenue reported in the General Ledger and amounts reported in the ANUEL & Subsidy Worksheet and noted a variance of \$73,958.
- Step 3 - We compared the utilities reported on the Operating Statement (51-1 Form) and the ANUEL & Subsidy Worksheet to the General Ledger and noted a variance of \$616,753.

H. Annual Rent Calculation and Compliance

Procedures:

1. Obtained the rent roll and the housing assistance payments roll (HAP) from management for the state-aided funds for the period April 1, 2017 through March 31, 2018 and reviewed for completeness by comparing to the Operating Statement (Form 51-1).
2. Haphazardly selected 15 tenant files from the rent roll from the above period for tenants in the state-aided funds, obtained supporting documents from management for each selection and perform the following for each selection:
 - a. Verified timeliness of annual rent determination

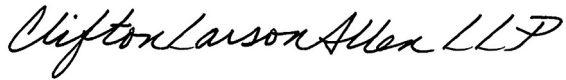
3. Haphazardly selected 15 tenant files from the rent roll from the above period for tenants in the state-aided funds, obtained supporting documents from management for each selection and perform the following for each selection:
 - a. Examined annual recertification for proper verification of income, expenses, and deductions and traced to supporting documentation.
 - b. Verified family composition for allowance purposes
 - c. Examined the file for documentation of income, exclusions from income and deductions.
4. Haphazardly selected 15 tenant files from the housing assistance payments roll from the above period for tenants receiving HAP for the state-aided funds, obtained supporting documents from management for each selection and perform the following for each selection:
 - a. Examined notification of rent redetermination was sent at least 60 days prior to effective date.
 - b. Examined notice of rent change sent no less than 14 days from effective date.
 - c. Examined executed lease addendum for signature and date.
5. Haphazardly selected 15 tenant files from the housing assistance payments roll from the above period for tenants receiving HAP for the state-aided funds, obtained supporting documents from management for each selection and perform the following for each selection:
 - a. Reviewed file for Certificate of Fitness.
 - b. Reviewed file for Letter of Compliance for Lead Paint if child <6 year old and building built prior to 1978 with no new construction permit.
 - c. Reviewed file for Proof of Ownership
 - d. Reviewed file for W9.

Results:

- Step 1 – We obtained the rent roll and housing assistance payments roll for the state-aided funds noted above and compared the balance to the Operating Statement (51-1 Form) and noted a variance of \$292,884 between the Operating Statement and rent roll and a variance of \$925,610 between the Operating Statement and the housing assistance payments.
- Step 2-4 – We selected 15 tenants from the rent rolls for state-aided funds and performed the procedures enumerated above, noting no exceptions.
- Step 5 – We selected 15 tenants from the HAP rolls for state-aided funds and performed the procedures enumerated above, noting no exceptions.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the Act. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of Boston Housing Authority and the DHCD and is not intended to be and should not be used by anyone other than the specified parties.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, Massachusetts
May 31, 2019

Housing Authority: Boston Housing Authority

Fiscal Year End (FYE): 3/31/2018
 Date AUP Conducted: Nov-18
 Executive Director: William McGonagle
 CPA: CliftonLarsonAllen LLP - Mandy Merchant, Principal
 CPA Phone: 443-803-6989

A. Rent Collection / Tenant Accounts Receivable / Account Write-Offs	
Number of Category Exceptions:	Category Rating: Operational Guidance
A. Rent Collection – Walk-through of sample (Small - 3, Med - 5, Large - 7, Very Large - 9) of individual rent receipts to ensure all the following steps are being executed.	
1. Log of rent collected is complete, accurate and includes all necessary information. 2. Post-dated checks for current amount due is not accepted payment by LHA. 3. Trace amounts from receipt log to deposit slip for bank. Cash is deposited daily per DHCD guidelines (per Accounting Manual Sec. 8, p. 3). Except IF: LHA has only one administrative employee who deposits cash at least weekly. 4. Reconcile tenant ledger with receipt log, bank deposit and General Ledger. 5. What is on General Ledger matches bank statement (bank reconciliation) and Operating Statement and Balance Sheet (51-1 and 51-2 respectively).	Exception Found NE NE NE NE E
B. Rent Collection – Segregation of Duties	
1. Document and evaluate internal controls and segregation of duties for steps 1 to 5 above. For LHAs with only one administrative employee: if sufficient internal controls and segregation of duties are not in place, there are mitigating controls in place, such as reporting the frequency/amount of credit adjustments to the board or fee accountant.	No Exception Found NE
C. Rent Collection – Tenant Accounts Receivables (TAR)	
1. Aging of Tenant Accounts Receivable is matched to the General Ledger and to the Balance Sheet TAR (51-2). 2. Draw a sample of uncollected TAR accounts (Small - 3, Med - 5, Large - 7, Very Large - 9). Rent Collection is in compliance with LHA rent collection policy (per Contract for Financial Assistance (CFA) and Management Plan IIIC). 3. Allowance for Doubtful Accounts is determined in accordance with GAAP and LHA has evaluated estimate on annual basis. Reasonable allowance based on historical data. Repayment Agreements reconcile to the Balance Sheet/Operating Statements and are in accordance with DHCD policy.	Exception Found E NE E
D. Account Write-Offs – Walk-through uncollected rent that was written-off.	
If no write-offs can be found, please select N/A option from drop down for both steps 1 and 2.	
1. Obtain detail of write-offs and verify that write-offs are in accordance with DHCD policy. 2. Documentation of Board approval to write-off account (board approval of write-off required per budget guidelines for Acct #4570 - Collection Loss).	No Exception Found NE NE
Exceptions Noted:	A.A.5 - There is a variance of \$73,958 between the Operating Statement (51-1 Form) and the General Ledger. The operating statement is reporting a lower amount of revenue than the general ledger. A.C.1 - The Tenant Accounts Receivable Reconciliation is \$71,080 higher than the General Ledger and \$72,927 higher than the Aging of Tenant Accounts Receivable, which is \$1,847 lower than the General Ledger. A.C.3 - The Authority did not reconcile the Accounts Receivable Aging to the Balance Sheet. As such we were unable to verify that repayment agreements agreed to the Balance Sheet.
Internal Control Recommendation:	It is recommended that quarterly reconciliations are performed between the Operating Statements/Balance Sheets submitted to the State and GL detail; and that all differences identified are reviewed/approved by management. Additionally, subsequent to the annual audit, it is recommended that a reconciliation is prepared between the Operating Statements/Balance Sheets submitted to the State to the GL detail to account for any audit adjustments that may have occurred. Reconciliations should be signed off as reviewed/approved by management. It is recommended that the Authority reconcile the Accounts Receivable Aging to the Balance Sheet.
Authority's Response:	A.A.5 - With significant staff turnover during FY2018, bank statement reconciliations were behind. BHA engaged outside consulting support to complete annual reporting and assist in the audit to allow fiscal staff time to catch up on daily/monthly processes. The bank reconciliations for FY2019 are expected to be current. A.C.1 & A.C.3 - After the submission of the final 03/31/18 operating Statement (form 51-1), the BHA established new policies for the allowance for doubtful accounts and unearned revenue (tenant credits). This new policy impacted the final numbers and the reconciliations provided. In addition to the policy changes, a new AR supervisor has been hired who is more closely monitoring these balances and performs these reconciliations.

Housing Authority: Boston Housing Authority	
B. Payroll/Fringe Benefits	
Number of Category Exceptions: 2	Category Rating: Operational Guidance
A. Wage Reconciliation	Exception Found
1. Verify analytically (not to exact amount) that FYE-end wages gross payroll reported on the LHA's General Ledger for all programs and all employees matches actual wage amounts reported on Forms 941 and WR-1 (state and federal filings).	NE
2. Look at DHCD-approved budget <i>Schedule of All Salaries and Positions "Report"</i> in HAFIS and identify five highest paid salaries from all funding sources. Verify analytically (within % ANUEL increase for that year - exclude overtime in calculation for maintenance employees) that it matches the amount reported at FYE on the LHA's Top 5 Compensation Form (LHA should have a copy on file). Verify the amount reported on the Top 5 Compensation Form matches <u>exactly</u> the amount reported on reconciled Form 941 and the corresponding state online submission (mass.gov/lwd/unemployment-insur/employers/).	E
3. LHA is in possession of DHCD-approved executive contract signed by the LHA, Executive Director and DHCD. If LHA can show that currently being processed by DHCD and was not returned to the LHA for failing to meet DCHD's requirements, LHA can produce the last DHCD-approved executive contract signed by the LHA, Executive Director and DHCD.	NE
B. Select a Single Pay Period:	No Exception Found
1. Trace timesheets/timecards to the payroll register.	NE
2. Test for completeness and accuracy.	NE
3. Proper controls and approvals are in place, i.e. employees sign timesheets, the Executive Director signs off on employee timesheets, and the Executive Director maintains a timesheet.	NE
C. Obtain a compensated absences liability schedule:	Exception Found
1. Test for consistency with personnel policy (personnel policy required per Contract for Financial Assistance (CFA) and Management Plan IIa2) and reconcile to Balance Sheet (51-2) and General Ledger. If AUP conducted after 9/30/17, personnel policy includes (1) the limits on the amount of vacation and sick leave that will be accrued each year, and when and how such leave will be accrued; (2) a limit on the amount of accrued vacation that may be carried over from year to year, and; (3) a cap on the payout for accrued and unused sick leave at the end of employment per PHN 2017-14. Verify analytically future liabilities for employee benefits (particularly GASB 45 and GASB 68) are properly reflected on Operating Statement (51-1) and Balance Sheet (51-2). If GASB 68 actuarial reports were not received by the LHA in time for year-end financial statements, it is OK for LHA to report last year's GASB 68 numbers.	E
2. Proper controls and approvals are in place, i.e. Executive Director approves employee compensated absences.	NE
3. Compensated absences should be tracked apart from the timesheets, and verification with timesheets should be performed.	NE
4. Accrued and Accumulated leave time matches. Time is accruing as it should.	NE
Exceptions Noted:	<i>B.A.2 - Form 941 does not provide Top 5 Compensation amounts. The corresponding state online submission form was not provided as such CLA was unable to review. No form WR1 was provided by the Agency. B.C.1-4 - Boston Housing Authority provided a download from the general ledger. The Form 51-2 was not updated to reflect the actual amount for 3/31/2018. The Form 51-2 reflected the prior year amount. The Authority did not provide a cross-walk from the GASB 45 and GASB 68 actuarial reports to show how the liability amounts were calculated on Forms 51-1 and 51-2.</i>
Internal Control Recommendation:	<i>B.A.2 - It is recommended that the Authority maintain the form 941 top 5 reconciliation and corresponding online submission B.C.1-4 - It is recommended that the Authority update their compensated absence balances annually to ensure that the reports contain the most up to date information. It is recommended that the Authority maintain documentation for the calculation of GASB 45 and GASB 68 liabilities.</i>
Authority's Response:	<i>B.A.2. Since the 941 form shows only summarized payroll for all employees, BHA is unclear on what documentation would be required to prove the top 5 compensations with this form. Additionally, the BHA submits unemployment reports electronically and does not maintain the WR-1 report separately from the electronic submission. B.C.1.4 The BHA completed its updates of GASB 45 and GASB 68 accruals well after the submission of the balance sheet to DHCD because we were awaiting additional information from the City's audit. Additionally, during the finalizing of the audit, the BHA decided to adjust GASB 75. This end of calendar year backup is what was retained, and the backup documentation related to the GASB #'s in our October submission is unavailable.</i>

Housing Authority: Boston Housing Authority	
C. Accounts Payable/Disbursements	
Number of Category Exceptions: 0	Category Rating: No Findings
A. Select a sample (Small - 3, Med - 5, Large - 7, Very Large - 9) of operating and capital expenditures (at least 1 of each type if have). 1. Approval and Segregation of Duties 2. Accuracy 3. Supporting Documentation 4. Allowability 5. Allocation 6. Classification	No Exception Found NE NE NE NE NE NE
C. Select a sample (Small - 6, Med - 10, Large - 14, Very Large - 18) of credit card/debit card statements. If no credit/debit expenditures can be found, please select N/A option from drop down for <u>all</u> steps 1 to 8. 1. Approval and Segregation of Duties 2. Accuracy 3. Supporting Documentation (CPAs: include date, description of charge and amount of transaction for each purchase missing documentation below) 4. Allowability 5. Allocation 6. Classification 7. No Sales Tax Paid 8. Card is in Housing Authority name; not Executive Director (or any other staff member) name.	No Exception Found NE NE NE NE NE NE NE
D. Select a sample (Small - 3, Med - 5, Large - 7, Very Large - 9) of employee reimbursements (include at least one travel reimbursement). 1. Approval and Segregation of Duties 2. Accuracy 3. Supporting Documentation 4. Allowability 5. Allocation 6. Classification	No Exception Found NE NE NE NE NE
Exceptions Noted:	<i>None noted</i>
Internal Control Recommendation:	<i>N/A</i>
Authority's Response:	<i>N/A</i>

Housing Authority: Boston Housing Authority	
D. Inventory (Fixed Assets)	
Number of Category Exceptions: 2	Category Rating: Operational Guidance
A. Obtain a copy of the depreciation schedules/fixed asset listing:	Exception Found
1. Inventory listing includes both capitalized and non-capitalized items (such as refrigerators, stoves, community room equipment, office equipment, etc.) of \$1,000 or more. It also includes all necessary information, including a tag with an LHA-assigned number for all assets of \$1,000 or more (and all refrigerators and stoves of any value).	E
2. Depreciation schedule/fixed asset listing includes all relevant assets of \$5,000 or more. It also includes all necessary information to sufficiently identify an asset. For vehicles, that includes the make/model/year and for modernization jobs the Fish number.	E
3. Items on depreciation schedule/fixed asset listing are being accurately depreciated.	E
4. Reconcile depreciation schedule/fixed asset listing to Form 51-1 (Operating Statement) and General Ledger and evaluate for completeness and sufficiency of detail.	E
5. Verify analytically that items listed still exist and are in possession of LHA.	E
6. Assets are appropriately allocated between Federal and State on General Ledger, Operating Statement (51-1), and depreciated according to which funds were used for purchase.	E
B. Capitalization Policy	No Exception Found
1. Verify capitalization policy is within state established limits (per Accounting Manual, Sec. 16, p.3).	NE
C. Vehicles	Exception Found
1. Confirm vehicles are listed on fixed asset listing, and trace vehicles listing to insurance policies.	E
Exceptions Noted:	<p>D.A.1 - The BHA does not have an inventory listing by LHA-assigned number.</p> <p>D.A.2-3 - The depreciation schedule/fixed asset listing did not provide information necessary to sufficiently identify an asset. As such, CLA was unable to determine if the items on this listing are being accurately depreciated.</p> <p>D.A.4 / 6 - The depreciation schedule/fixed asset listing did not tie to Form 51-1. As such CLA was unable to determine if assets were appropriately allocation between Federal and State on the General Ledger.</p> <p>D.A.5 - The BHA does not maintain an inventory listing, including an assigned tag number for all capitalized and non-capitalized items. As such this step was not able to be performed.</p> <p>D.C.1. For one out of seven vehicles, BHA did not provide a copy of the insurance policy.</p>
Internal Control Recommendation:	BHA should specifically identify state-aided equipment and capital assets in their capital asset listing in order to provide a listing for the procedures noted above to be completed. BHA should implement procedures to appropriately document the reconciliation between their accounting records and their general ledger.
Authority's Response:	With the financial staff turnover last year, the depreciation scheduled were not verified until the final audit report (December) resulting in these variances. Additionally, there was turnover in our Risk Management/Insurance Department resulting in a small tractor being left off of the insurance policy.

Housing Authority: Boston Housing Authority	
E. Procurement/Public Bidding for Goods and Services	
Number of Category Exceptions: 0	Category Rating: No Findings
<p>For A to C below, examine the cash disbursements journal (or check register) as well as the contract register and identify purchases of goods and services during the year that should have been competitively procured. From these purchases that should have been competitively procured, select a sample (Small - 3, Med - 5, Large - 7, Very Large - 9) of known or possible procurements valuing \$10,000 or more; if possible when selecting the sample, include at least one procurement valuing \$10,000 to \$35,000 and one procurement valuing \$35,000 or more (for goods and services for MGL c. 30B only). If any in the sample were not competitively procured, enter as an exception in A. For sampled purchases that went through procurement, follow procedures under B or C below depending on the size of the procurement.</p>	
A. Competitive Procurement When Required	No Exception Found
1. Verify that sampled purchases for goods and services that should have been competitively procured as defined per MGL c. 30B were competitively procured.	NE
B. Known procurements valuing (pre 11/7/16 - \$10,000 up to \$35,000 OR post 11/7/16 \$10,000 up to and including \$50,000) (for goods and services for MGL c. 30B only). If no procurement can be found valuing \$10,000 up to \$35,000, please select N/A option from drop down for each step 1 - 7 below.	No Exception Found
1. (pre 11/7/16) Proper selection based on MGL c.30B s.5 IFB requirements/(post 11/7/16) Proper selection based on MGL c.30B s.5 solicitation of quotes requirements.	NE
2. (pre 11/7/16) Documentation of solicitation of at least three oral or written quotes/(post 11/7/16) Documentation of a written purchase description with solicitation of <u>written</u> quotes from at least three persons.	NE
3. Contract is DHCD-approved template or developed by LHA (not a vendor contract).	NE
4. Contract was for not more than 3 years unless majority board vote allowed it to be longer.	NE
5. Board vote is documented approving individual contract, or a board vote to delegate authority over certain contracts (by dollar threshold or other criteria) to an LHA staff member, usually Executive Director.	NE
6. Contract did not go through automatic renewals unless renewals were part of the original procurement.	NE
7. LHA Procurement Policy exists (per Accounting Manual Sec. 16, p.2) and is compliant with MGL c. 30B elements mentioned in 1 to 6 above.	NE
C. Known procurements valuing (pre 11/7/16 - \$35,000 or more OR post 11/7/16 more than \$50,000) (for goods and services for MGL c. 30B only). If no procurement can be found in this value range, please select N/A option from drop down for each step 1 - 8 below.	Not Applicable
1. Proper selection based on MGL c.30B s.5 IFB requirements or MGL c.30B s.6 RFP requirements. (post 11/7/16 only: If using MGL C.30B s.6 RFP requirements, LHA must have a Chief Procurement Officer (CPO) conduct the procurement under c.30B s.6.)	NE
2. (pre 11/7/16) Documentation of Newspaper advertisement two week prior to bidding process/(post 11/7/16) Documentation of Newspaper advertisement, LHA's Office and COMMBUYS two weeks prior to bidding process.	NE
3. If contract was for over \$100K, it was advertised in the Goods & Services Bulletin.	NE
4. If IFB, contract award went to lowest bidder. If RFP, contract went to lowest bidder or letter explaining why went with another bidder.	NE
5. Contract is DHCD-approved template or developed by LHA (not a vendor contract).	NE
6. Board vote is documented approving individual contract, or a board vote to delegate authority over certain contracts (by dollar threshold or other criteria) to an LHA staff member, usually Executive Director.	N/A
7. Contract did not go through automatic renewals unless renewals were part of the original procurement.	NE
8. LHA Procurement Policy exists (Accounting Manual Sec. 16, p.2) and is compliant with MGL c. 30B elements mentioned in 1 to 7 above.	NE
D. Obtain a copy of the contract register and verify:	No Exception Found
1. Contract register exists and includes all modernization as well as goods and services contracts (per Accounting Manual, Sec. 6, p.12)/PHN 2017-14.	NE
2. For each contract, it includes the following information: contractor, description, active/inactive, start date, end date, extensions available, contract award amount, change orders amount, contract expenditures to date and remaining value.	NE
3. Evaluate for completeness by analyzing the cash disbursements journal against the contract register.	NE
Exceptions Noted:	None noted
Internal Control Recommendation:	N/A
Authority's Response:	N/A

Housing Authority: Boston Housing Authority	
F. Cash Management and Investment Practices	
Number of Category Exceptions:	1
Category Rating:	Operational Guidance
A. Pull a mid-year and year-end bank statements:	Exception Found
1. Test the monthly bank reconciliation to ensure that the following two match: General Ledger and bank statements (exclude deposits of rent collected as this was covered earlier).	E
2. Checks that have been issued and marked on General Ledger but have not been cashed (not on bank statement), known as checks in transit are identified as a part of the reconciliation process.	NE
B. Bank and Investment Accounts	No Exception Found
1. Verify that banking and investment accounts are properly insured or collateralized (per Accounting Manual Sec. 16, p.7)	NE
Exceptions Noted:	<i>F.A.1 - The cash balance per the bank reconciliations/bank statements had a variance of \$8,859 and \$32,514 for March 2018 and September 2017, respectively, compared to the general ledger detail.</i>
Internal Control Recommendation:	<i>CLA recommends that a more detailed review of all monthly bank reconciliations is performed to ensure that variances are cleared on a monthly basis.</i>
Authority's Response:	<i>By adding outside resources to support the FY2018 audit and reporting and with the stabilization of staff turnover, the BHA has been able to catch up and maintain our bank reconciliations for FY2019. In addition, the BHA is in the process of hiring an additional director in accounting to increase oversight of this process.</i>

Housing Authority: Boston Housing Authority	
G. Operating Subsidy	
Number of Category Exceptions:	2
Category Rating:	Corrective Action
A. Obtain copy of DHCD-approved budget exemptions. If no DHCD-approved exemptions, please select N/A option from drop down for step 1 below. 1. Compare DHCD-approved budget exemptions for direct reimbursement (as found in the ANUEL & Subsidy Worksheet - Section 8) to LHA record of actual expenses to the General Ledger.	No Exception Found NE
B. Revenue Reconciliation 1. Reconcile revenue to the General Ledger. Compare revenue reported in Accounts #3110, #3190, #3610 and #3690 in the Operating Statement (51-1) to the General Ledger to the amounts reported in the ANUEL & Subsidy Worksheet.	Exception Found E
C. Utility Reconciliation 1. Reconcile utilities to the General Ledger. Compare utilities reported in Account #4300 on the Operating Statement (51-1) to the General Ledger to the amounts reported in the ANUEL & Subsidy Worksheet.	Exception Found E
Exceptions Noted:	G.B.1 - It was noted that total revenue per the ANUEL compared to the General Ledger had a variance of \$73,958. G.C.1 - Utilities per the ANUEL and the 51-1 Form compared to the General Ledger had a variance of \$616,753.
Internal Control Recommendation:	It is recommended that quarterly reconciliations are performed between the Operating Statements/Balance Sheets submitted to the State and GL detail; and that all differences identified are reviewed/approved by management. Additionally, subsequent to the annual audit, it is recommended that a reconciliation is prepared between the Operating Statements/Balance Sheets submitted to the State to the GL detail to account for any audit adjustments that may have occurred. It is recommended that a reconciliation between the ANUEL report and the General Ledger be prepared and any differences investigated. Reconciliations should be signed off as reviewed/approved by management.
Authority's Response:	G.B.1 - BHA believes that the variance of \$73,958 was associated with the policy changes related to the allowance for doubtful accounts and unearned revenue. G.C.1 - The utility variance is associated with a utility accrual that was reversed after submission of these reports to DHCD and before the final audit completion.

Housing Authority: Boston Housing Authority	
H. Annual Rent Calculation and Compliance	
Number of Category Exceptions: 1	Category Rating: Operational Guidance
To conduct A through D below, select a sample (Small LHA - 5, Medium LHA - 10, Large or Very Large LHA - 15) of tenant files (from programs 200, 667, 705); if the LHA has multiple property managers, at least one file should be selected per manager. Conduct A to C and E, if have MRVP, sample 10% (min:1 max:15) of leased MRVP units.	
A. Obtain the rent roll and HAP roll:	Exception Found
1. Verify analytically the completeness of the resident population. (Rent roll and HAP roll support what is reported on Operating Statement Form 51-1).	E
B. Timeliness of Annual Rent Calculation	No Exception Found
1. Verify timeliness of annual rent redetermination (occurs one year from move-in date or last annual recertification). Except IF: LHA can produce DHCD waiver for Chapter 667 annual rent redetermination requirement and has done rent redetermination once within 2 years of move-in date or last annual recertification).	NE
C. Accuracy of Rent Calculation	No Exception Found
1. Test rent calculation for proper verification of income, expenses and deductions.	NE
2. Verify family composition for allowance purposes.	NE
3. Documentation of income, exclusions from income, and deductions.	NE
D. Timeliness of Notifications Regarding Rent Changes	No Exception Found
1. Verify notification of rent redetermination sent at least 60 days prior to effective date (see 760 CMR 6.04 (4)(b)).	NE
2. Verify Notice of Rent Change sent no less than 14 days prior to effective date (see 760 CMR 6.04 (4)(e)).	NE
3. Verify timeliness and proper execution of Lease Addendum (see 760 CMR 6.06 (5)(q)).	NE
E. MRVP Documentation (starting with AUPs conducted after 7/31/17)	No Exception Found
1. MRVP file has Certificate of Fitness (COF).	NE
2. MRVP file has Letter of Compliance for Lead Paint if child <6 years old and building built prior to 1978 with no new construction permit.	NE
3. MRVP file has Proof of Ownership which is either 1. Deed/Online Printout from Registry of Deeds or 2. Proof of Insurance or 3. Tax Documents.	NE
4. MRVP file has W9.	NE
Exceptions Noted:	H.A.1 - CLA obtained the rent rolls and HAP rolls for fiscal year and noted that the rent rolls did not agree to the 51-1 Form by \$292,884 (it appears that this is due to adjustments that were made subsequent to the submission of the 51-1 Forms). CLA noted that the HAP rolls did not agree to the 51-1 Form by \$925,610 (it appears that this is due to adjustments that were made subsequent to the submission of the 51-1 Forms)
Internal Control Recommendation:	It is recommended that quarterly reconciliations are performed between the Operating Statements/Balance Sheets submitted to the State and GL detail; and that all differences identified are reviewed/approved by management. Additionally, subsequent to the annual audit, it is recommended that a reconciliation is prepared between the Operating Statements/Balance Sheets submitted to the State to the GL detail to account for any audit adjustments that may have occurred. Reconciliations should be signed off as reviewed/approved by management.
Authority's Response:	BHA agrees with the auditor's assessment that these variances were related to the subsequent submission. Additionally, the accountant associated with the MRVP program has been replaced and more supervision is being provided to this reporting.

