

**WHAT ELSE CAN I DO  
DO'S AND DON'TS  
OPPORTUNITIES**

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# OUR AUTHORITY

- Housing Law
- Regulations
- ACC
- State Law
- Court Cases
- Ethical Considerations and Opinions
- Attorney General Opinions

# THE OBVIOUS

- Hire an Executive Director
- Performance Appraisal of ED
- Approve policies
- Receive audit
- Make annual report and recommendation to City

# COMMISSIONER RESPONSIBILITIES

- Protect and Investigate Fraud, Waste, Abuse
- Examples: HUD Audits, IG Investigations
- Fiduciary Duty of ED and Board Members
- Areas of concern for improvement: what do we need? How do we get it?
- Safety Issues: Violence and Active Shooters

# FRAUD, WASTE, ABUSE

- Bookkeeping and Accounting
- Personnel and Hiring
- Procurement and Contracts
- Ethics and Standard of Conduct
- Independent Audits
- Charge Cards
- Automobile

# COMMISSIONER ROLES

- Bookkeeping and Accounting: Internal Controls, separation of duties, checks and balances.
- Protect funds and assets
- Personnel and Hiring: Handbook and procedures for screening applicants.
- Background, credit, drug and references.

# PROCUREMENT AND CONTRACTS

- Federal, state and local laws
- Good strong policy
- Watch for employee manipulation of contracts for personal benefit.
- Get reports.
- Internal audits

# ETHICS AND STANDARDS OF CONDUCT

- HUD Ethics, ACC, State laws.
- Disclosing
- Ask for opinions
- Don't take chances



# TENANT INTEGRITY

- ACOP
- Rent collection, vacant units, maintenance, crime, vandalism, insurance proceeds
- Be sure:
  - Residents selected on eligibility and in accordance with policies.
  - Accurate information given by applicant/tenants
  - Acting on incorrect information

# INDEPENDENT AUDITS AND HUD REVIEWS

- Be sure independent and credible
- Audit committee
- Identify areas of concern prior to audit
- Know what an audit report says.
- Use as management tool.

# CREDIT CARDS AND AUTOMOBILES

- Ethics issues
- Good strong policies
- No personal expenses, even if reimbursed
- Watch for HA reputation
- Feeding frenzy for press
- HUD reviews and consequences

# FOLLOWING POLICIES

- Have we implemented quality control?
- Have independent persons periodically check work to ensure policies and procedures are followed
- This includes reviewing Executive Director

# DO'S

- Pass policies to prevent fraud and address unethical behavior
- Properly get training and be sure staff receives training
- Monitor performance periodically to see if adjustments needed
- Learn about risks and be alert for problems: embezzlement, improper procurement

# DON'TS

- Sign blank checks or those not backed up with bills, invoices or vouchers
- Allow reconciliation of bank statements by person who signs checks
- Allow HA supplies, equipment or staff for personal use
- Use HA credit cards for personal use
- Use HA contractors for personal purposes while they are engaged in HA work

# ETHICAL DON'TS

- Get personal gain from your service
- Accept gifts or gratuities from people who do business with the HA
- Do business with the HA while commissioner or one year thereafter
- Send people for apartments or employment
- Allow HA to violate the ACC or law

# ADDITIONAL OPPORTUNITIES

- State Law
- Establish advisory boards: community and social service needs
- Investigate housing and living conditions and establish ways of improving
- Determine where unsafe or unsanitary housing conditions exist
- Provide for reconstruction and rehabilitation



# EVEN MORE

- Mixed finance projects: establish and own
- Manage and act as agent for municipality and federal government in management, construction or acquisition of housing
- Enter any building or property to conduct investigations
- Purchase, lease, acquire by gift, etc. property
- Eminent domain acquisitions

# AND MORE

- Borrow money
- Sue and be sued
- Issue subpoenas
- Conduct examinations and investigate
- Hear testimony
- Conduct public hearings

# MONEY

- Empowered to borrow money and accept grants
- Take property in event of default of mortgage and foreclosure
- Issue bonds

# THE COMMUNITY

- PILOT
- Publicity
- Civic Clubs
- Condition of property
- Elderly and disabled availability
- Partnerships

# DEMOGRAPHICS

- Elderly
- Disabled
- Ages
- Race/Ethnicity
- Employed
- Waiting Lists
- Programs now.    Programs in the future.

# USING YOUR ABILITIES

- Youth programs
- Medical programs
- Educational programs
- Social programs
- Living the Dream
- Trade school partnership

# THINK OUTSIDE THE BOX

- Or blow it up and be creative
- Competition with private developers
- Moving residents up, home ownership
- What can we do to help?
- Investment in our community
- THOUGHTS and IDEAS?

# CURRENT ISSUES AND TOPICS



# AUDITS

- I-9 AUDITS AND EVERIFY
- PROCUREMENT
- ADA AUDIT
- FMLA AUDITS
- DISCRIMINATION PREVENTION

# ISSUES

- FEDERAL MONEY?
- SPEEDY COURT ACTIONS FOR EVICTIONS
- INDIVIDUAL LIABILITY/LAWSUITS
- CONFLICTS OF INTEREST: ETHICS, DEALING WITH MEMBERS AND FAMILY
- RAD
- CELLPHONES AND VEHICLES

# INTERNAL CONTROLS

- Why do we need internal controls?
- I thought we were to stay out of “day to day” activities
- Our fiduciary duty
- Fraud, waste and abuse

# What is Internal Control?

- The plan of organization and the methods a business uses to
  - safeguard assets,
  - provide accurate and reliable information,
  - promote operational efficiency, and
  - ensure that procedures are followed
- The policies and procedures established to provide a reasonable level of assurance that the organizations specific objectives will be achieved.

# Topics of Discussion

- Internal Control Terms
- Internal Control Model
- Consideration of Fraud

# Internal Control terms

- Threat - Any potentially adverse occurrence or unwanted event that could damage the accounting information system or the organization
- Risk – probability the threat will occur (e.g. internet/web access)
- Exposure – potential \$ lost from a threat
- Controls – measures taken to eliminate/reduce risk of exposure to a threat

# Internal Control Model

- Control Environment – people and their working environment are the core!
- Risk Assessment – awareness of and dealing with risks
- Control Activities – policies and procedures
- Information and Communication – information systems allow organization to do its job
- Monitoring – monitor entire process and change as needed

# Control Environment

- Commitment to integrity and ethical values
- Management's philosophy and operating style
- Organizational structure
- The audit committee of the board of directors
- Methods of assigning authority and responsibility
- Human resource policies and practices
- External influences



# Risk Assessment

- Identify threats
- Estimate risk
- Estimate exposure
- Identify controls
- Estimate costs & benefits
  - Expected loss = risk x exposure
- Determine cost-benefit effectiveness

# Threats and Risks

- Threats
  - Disaster
  - Malfunction
  - Error/mistake
  - Crime/fraud
- Risks
  - Identify, assess, and quantify risk factors
  - Examples – lack of segregation of duties, cash is not reconciled timely

# Types of Control Activities

- General controls – ensure a stable and well managed control environment
- Application controls – prevent, detect and correct problems in transactions as they are processed
- Administrative controls – ensure operational efficiency and enforce managerial policies
- Accounting controls – safeguard assets and ensure reliability of financial records

# General Control Activities

- Adequate safeguards of assets and records
  - Effectively supervising/segregating duties
  - Maintaining accurate records of assets
  - Restricting physical access to assets
  - Protecting records and documents
  - Controlling the environment
  - Restricting access to computers

# Application Control Activities

- Preventive controls – deter problems before they happen
- Detective controls – discover problems when they happen
- Corrective controls – remedy problems after they are detected
  - Identify cause, correct the problem, alter system to prevent recurrence

# Administrative Control Activities

- Proper authorization of transactions and activities (specific v. general)
- Segregation of duties (authorization, recording, custody)
- Design and use of adequate documentation
- Adequate safeguards of assets and records
- Independent checks on performance

# Accounting Control Activities

- Independent checks on performance
  - Reconciliation of two independently maintained sets of records
  - Comparison of actual quantities with recorded amounts
  - Double-entry accounting
  - Batch totals (financial totals, hash totals, record counts, line counts, cross-footing)
  - Independent review

# Internal Controls in Systems

- Input controls – ensure only accurate, valid and authorized data are entered
- Processing controls – ensure all transactions are processed accurately and completely and all files and records are properly updated
- Output controls – ensure outputs are controlled (access, quality, volume)



# Information and Communication

- Communication may be the calendar or the information system
- Why is a calendar important?
  - Recognition of the importance of timely information
  - Denotes who has responsibility for performing tasks
  - Denotes who has responsibility for reviewing tasks
  - Allows action toward problems
  - Helps employees realize the importance of his/her job in the overall control environment

# Information and Communication

- Accounting Information Systems:
  - Identify and record all valid transactions
  - Properly classify transactions
  - Record transactions at proper \$ value
  - Record transactions in proper period
  - Properly present & disclose in F/S

# INTERNAL CONTROLS

- What can we do as Commissioners?
- Why do we want to get involved?
- I thought we were to stay out of day to day activities.
- Fiduciary Duties

# Monitoring Performance

- Effective supervision
- Responsibility accounting
- Internal auditing

# Consideration of Fraud

- Incentives
- Opportunities
- Attitudes

# Incentive Risk Factors

- Declines in revenues
- Operating losses
- Lifestyle
- Hardships

# Opportunities Risk Factors

- Ineffective accounting system
- Inadequate accounting staff
  - Quantity
  - Level of training
- Passive Board of Directors
- Management Domination
- Complex transactions
- Related-party transactions

# Attitudes Risk Factors

- Tone at the top
- Unrealistic expectation of performance
- Failure to address reportable conditions
- Overly concerned with income
- Unreasonable time constraints on auditor
- Attitude toward auditor



# How do we respond?

- Consider threats, exposure, and risks, in designing and implementing internal control procedures

# QUESTIONS

- ??????