

MIDDLETON, LEARNED & SMITH

CERTIFIED PUBLIC ACCOUNTANTS

260 SONNA BUILDING

BOISE, IDAHO

GEORGE B. MIDDLETON, C. P. A.
MARCELL LEARNED, C. P. A.
HAROLD E. SMITH, C. P. A.
JAMES W. HEFLEY, C. P. A.
JAY D. CAMPBELL, C. P. A.

CALDWELL, IDAHO
KING BUILDING

Board of Directors
Housing Authority of the City of Caldwell
Caldwell, Idaho

Gentlemen:

We have made an examination of the books of accounts of the Housing Authority of the City of Caldwell and have reviewed the general procedures of operations and the system of internal control. We present herein a summary of accounting procedures control and a preliminary statement of income, profit and loss for the eleven months ending November 30, 1953. The attached statement of income is prepared for tentative purposes only, and a final statement will be presented subsequently as a part of our audit report.

Very truly yours,

M. Learned & S. Smith
MIDDLETON, LEARNED & SMITH
Certified Public Accountants

Housing Authority of the City of Caldwell
SUMMARY OF ACCOUNTING PROCEDURES CONTROL

The purpose of control for accounting procedures has a twofold application: first, it should be designed as a safeguard in the protection of the assets, and second, it should provide information for managerial guidance. We have reviewed the system prevailing at the time of audit and make the following observations and recommendations relative to the adequacy of the system in fulfilling the general purposes mentioned above.

In general, the accounting system is basically sound and should not require a major revision; however, minor adjustments are needed to provide a higher level of protection and a more comprehensive coverage of the operations. In view of the reduction in personnel who will be recording the transactions, it will be advisable to change certain procedures and policies to provide a maximum of internal control. Therefore, the following recommendations are offered for adoption:

1. That the accounts be carried on an accrual rather than on a cash basis. The accrual basis would provide an accountability for all rents and other items charged in addition to the accountability for cash received. The shortage for the past eleven months arose primarily through credits given to rent chargeable, without recording the amounts in cash receipts. Since there was no accountability for rents charged, no shortage would appear upon the records. Statements may be continued to show cash receipts and disbursements if desired.
2. That the financial statements be placed on a fiscal year ending November 30th of each year. This is desirable to lighten the work required in closing the books and to not interfere with the closing of the books for the Chamber of Commerce.
3. That all refunds for security deposits be made by check except for amounts applied against chargeable rent. In this manner, an adequate approval for refunds will be assured and a more accurate acknowledgement of proper disposition of payment made.
4. That adjustments in rent charged arising because of tenants vacating apartments or for other reasons be approved by the executive director and that final settlements based on such adjustments be made by the person normally receiving rent payments. Proper approval for adjustments and a proper accounting for funds is made without placing full responsibility on one person.
5. That the person managing the housing area shall keep a log on dates when units are vacated. This will provide a check on the charges made to the accounts.

Housing Authority of the City of Caldwell
SUMMARY OF ACCOUNTING PROCEDURES CONTROL (Continued)

6. That the use of payable vouchers (with attached statements where practical) shall be continued for expenditures and that the vouchers shall be approved by the executive director for payment by those authorized to make payments.
7. That the number of accounts be expanded in the present system to provide a further break-down for expenditures. It is suggested that such break-down should be made to allow for extra information concerning the costs of operations. For example, amounts paid for outside labor could be separated from salaries, salaries being limited to payments to regularly employed personnel; replacements could be separated from repairs.
8. That a provision be made for determining amounts to be paid in lieu of taxes to schools and to other receiving agencies to facilitate accruing such items on the books. If this can be done on a predetermined basis, even though there may be a subsequent adjustment, a more accurate determination of income can be derived.

Housing Authority of the City of Caldwell
Preliminary Statement of Income, Profit and Loss
For the Eleven Months Ending November 30, 1953

INCOME:

Income from Rental Units	\$ 15,618.69	
Other Income	<u>389.84</u>	
Total Income		\$ 16,008.53

OPERATING EXPENSES:

Salaries	5,059.72	
Legal and Accounting	256.56	
Office Expense	1,711.90	
Garbage Disposal	600.00	
Water Expense	1,626.30	
Electricity and Fuel	202.02	
Repairs, Maintenance and Replacements	4,373.00	
Automobile Expense	205.71	
Insurance	144.35	
Employment Security Taxes	60.57	
Loss from Doubtful and Bad Accounts	<u>1,561.87</u>	
Total Operating Expenses		<u>15,802.00</u>

NET INCOME

\$ 206.53

CALDWELL HOUSING AUTHORITY

STATEMENT OF CASH SHORTAGE

AS OF NOVEMBER 30, 1953

MIDDLETON, LEARNED & SMITH

CERTIFIED PUBLIC ACCOUNTANTS

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CALDWELL, IDAHO
KING BUILDING

Board of Directors
Housing Authority of the City of Caldwell
Caldwell, Idaho

Gentlemen:

In connection with the examination of the books of accounts for the Housing Authority of the City of Caldwell, we have determined that a shortage in cash has occurred. Our examination covered the calendar year of 1952 and the first eleven months of 1953. The shortage arose primarily through receipts of money on rental accounts which were not deposited. The total amount of receipts received and not properly accounted for amounted to \$437.25, all but \$40.00 being in the 1953 period. We made a detailed analysis of the year's transactions affecting cash receipts for the first eleven months of 1953, and a summary of this analysis is herein included. We did not make a full detailed analysis for the 1952 transactions in the same manner as for 1953, but all receipts were traced to the bank and to the individual ledger accounts. The analysis for 1952 was sufficient to determine the loss arising under the same means as for 1953. All receipts for both years were traced in comparison to the individual ledger card credits.

A summary of the transactions attributable to the rental units for 1953 is shown in Exhibit A. The purpose of this summary is to establish the total amount of rental income to be accounted for and the amount of the cash received from that source. Exhibit B presents a summary of the total cash to be accounted for in 1953 and the amount of the cash shortage. Exhibit C shows a break-down analysis relating to the total amount of the shortage derived along with an explanation of how the defalcation was completed.

Although the analysis probably shows the full amount of the loss, the possibility would exist that amounts showing a balance owed and remaining unpaid could be in error. Without confirming these balances, it would be impossible to state that payments were not made on these accounts. If this were true, however, no entries were made to the accounts, because all entries for the 1952 and 1953 period were fully verified in our analysis. From the pattern shown in observing the methods of defalcation found, entries were made to the accounts recording the payment made where those people were in continued occupancy. It would seem, therefore, that any

such loss would be limited to those accounts which were not in a status of occupancy during the period under review. Inasmuch that it would be impracticable to verify these amounts by confirmation, especially to those no longer in the area, it would appear doubtful that further examination would produce a finding to the extent of the effort needed to make such an analysis.

Very truly yours,

MIDDLETON, LEARNED & SMITH
Certified Public Accountants

Caldwell Housing Authority of the City of Caldwell
Summary Statement of Accounts Receivable - Tenants
For the Eleven Months Ending November 30, 1953

Exhibit A

Balance of Accounts, December 31, 1952	\$	6,980.63
Add: Amounts Charged in 1953 to November 30, 1953:		
Rent	\$	15,618.69
Security Deposits		540.00
Other Charges		<u>24.60</u>
Total Additions		<u>16,183.29</u>
Total		23,163.92
Less: Credits to accounts in 1953 to November 30, 1953:		
Cash Received	\$	13,937.35
Other credits including applications of forfeited security deposits		<u>417.84</u>
Total credits		<u>14,355.19</u>
Balance of Accounts, November 30, 1953*	\$	<u>8,808.73</u>

*Balance includes \$4,513.26, representing accounts inactive prior to January 1, 1953, and written off as uncollectible on November 30, 1953.

Caldwell Housing Authority of the City of Caldwell
Summary Analysis for Cash Receipts
For the Eleven Months Ending November 30, 1953

Exhibit B

Receipts of Cash:

Receipts from Rental Accounts (See Exhibit A) \$ 13,937.35

Other Cash Receipts:

William Glaisyer, Insurance Refund 39.64

Reduction of Petty Cash Fund 50.00

Sale of Furniture 365.25

Total Cash Receipts to be Accounted For: \$ 14,135.67

Deposits to Bank Account 13,738.42

Total Cash Unaccounted for \$ 397.25

Caldwell Housing Authority of the City of Caldwell
Statement of Cash Short and Unaccounted for
As at November 30, 1953

Exhibit C

Cash Unaccounted for, 1952 (See Note 1)	\$ 40.00
Total Cash Unaccounted for per Exhibit B for the Eleven Months Ending November 30, 1953 (See Note 2)	<u>397.25</u>
Total Cash Short and Unaccounted For (See Note 3)	<u>\$ 437.25</u>

Note 1. Credit was given to the Ross Ferro account for \$40.00 which was not evidenced by valid receipts. Credit was applied for \$20.00 each on two receipts numbered #12416 and #12427. Receipt #12416 was originally issued to Dwight Kinney for \$30.00; receipt #12427 was originally issued to Eugene Dewitt for \$30.00. Credits were given to the latter accounts, and the amounts were properly included in the receipts. Credits given to the Ross Ferro account were not evidenced by these receipts nor any other receipts for the year. Neither were any amounts received deposited for the credits given. Thus, there was no accountability for the credits given.

Note 2. Credits were given to tenant accounts, and identified by receipt numbers, but such receipt numbers listed, as in 1952 above, were actually issued for other accounts. Thus, the pattern appears similar to that shown in 1952, and it appears that credits were given with an entry of a fictitious number as a means for covering a cash shortage, providing in each case that cash was actually received. Following is an analysis of cash unaccounted for during the eleven month period of 1953 showing the accounts credited without adequate receipt and including a shortage in a deposit for \$20.00:

<u>CREDIT GIVEN PER RECEIPTS</u>			<u>ADDITIONAL CREDIT GIVEN</u>		
<u>Receipt Number</u>	<u>Name</u>	<u>Amount</u>	<u>Name</u>	<u>Amount</u>	
12761	Ruth Howard	10.00	Vinnie Richards	5.00	
12871	Vinnie Richards	6.91	Ross Ferro	10.00	
12860	A. B. Drake	20.00	Ross Ferro	10.00	
12813	Ira Ekart	40.00	Ross Ferro	20.00	
12786	A. B. Drake	10.00	Ross Ferro	10.00	
12769	Pearl Wilmart	32.50	Ross Ferro	20.00	
12748	C. A. Pimlott	46.00	Ross Ferro	20.00	
12736	Helen Smith	60.00	Ross Ferro	15.00	
12723	Credit Bureau	15.82	Ross Ferro	20.00	
12719	L. D. Bransaun	18.00	Ross Ferro	10.00	
12715	Joe Arellan	40.00	Ross Ferro	10.00	
12702	L. J. Redmond	21.08	Ross Ferro	5.00	
12692	George Charlton	30.00	Ross Ferro	10.00	
12660	Voided		Ross Ferro	20.00	
12654	Leslie Ford	31.50	Ross Ferro	20.00	
12638	Lucille Jordan	36.00	Ross Ferro	20.00	

Caldwell Housing Authority of the City of Caldwell
Statement of Cash Short and Unaccounted for
As at November 30, 1953

Exhibit C (Continued)

CREDIT GIVEN PER RECEIPTS

<u>Receipt Number</u>	<u>Name</u>	<u>Amount</u>
11985	E. A. Daniels	\$ 32.50
12523	Ray Parks	18.50
12807	L. Cooper	40.00
12687	A. B. Drake	5.00
12683	Receipt missing, note included saying it was torn and voided.	

ADDITIONAL CREDIT GIVEN

<u>Name</u>	<u>Amount</u>
Ross Ferro	\$ 20.00
Ross Ferro	10.00
Wayne Fretwell	35.00
George Dufur	16.25
Florence Romjue	65.00

Total for accounts credited without receipts	371.25
Add: Deposit of January 28, 1953 less than amount shown on receipts for receipts included therein	20.00
Unidentified difference between total of unaccountable receipts and specific items shown	<u>6.00</u>
Total Cash Short and Unaccounted for	<u>\$ 397.25</u>

Note 3. The above total is inclusive of all items presently unaccounted for. In addition to this, the bookkeeper received \$37.50 from Lloyd King and voided the duplicate receipt. The bookkeeper was apprehended before any credits were made to the account in actual payment or in coverage of the loss. All receipts for the period were examined, and all voided receipts appeared to be in order inasmuch that all copies were filed. After apprehension, the bookkeeper paid back the \$37.50 and receipts were properly prepared.

CALDWELL HOUSING AUTHORITY
STATEMENT OF CASH SHORTAGE
AS OF NOVEMBER 30, 1953

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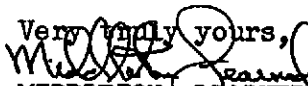
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CALDWELL, IDAHO
KING BUILDING

Board of Directors
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Caldwell, Idaho

Gentlemen: /

We have made an examination of the books of accounts of the Housing Authority of the City of Caldwell and have reviewed the general procedures of operations and the system of internal control. We present herein a summary of accounting procedures control and a preliminary statement of income, profit and loss for the eleven months ending November 30, 1953. The attached statement of income is prepared for tentative purposes only, and a final statement will be presented subsequently as a part of our audit report.

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**Housing Authority of the City of Caldwell
SUMMARY OF ACCOUNTING PROCEDURES CONTROL**

The purpose of control for accounting procedures has a twofold application: first, it should be designed as a safeguard in the protection of the assets, and second, it should provide information for managerial guidance. We have reviewed the system prevailing at the time of audit and make the following observations and recommendations relative to the adequacy of the system in fulfilling the general purposes mentioned above.

In general, the accounting system is basically sound and should not require a major revision; however, minor adjustments are needed to provide a higher level of protection and a more comprehensive coverage of the operations. In view of the reduction in personnel who will be recording the transactions, it will be advisable to change certain procedures and policies to provide a maximum of internal control. Therefore, the following recommendations are offered for adoption:

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5. That the person managing the housing area shall keep a log on dates when units are vacated. This will provide a check on the charges made to the accounts.

Housing Authority of the City of Caldwell
SUMMARY OF ACCOUNTING PROCEDURES CONTROL (Continued)

6. That the use of payable vouchers (with attached statements where practical) shall be continued for expenditures and that the vouchers shall be approved by the executive director for payment by those authorized to make payments.
7. That the number of accounts be expanded in the present system to provide a further break-down for expenditures. It is suggested that such break-down should be made to allow for extra information concerning the costs of operations. For example, amounts paid for outside labor could be separated from salaries, salaries being limited to payments to regularly employed personnel; replacements could be separated from repairs.
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INCOME:

Income from Rental Units	\$ 15,618.69	
Other Income	<u>389.84</u>	
Total Income		\$ 16,008.53

OPERATING EXPENSES:

Salaries	5,059.72	
Legal and Accounting	256.56	
Office Expense	1,711.90	
Garbage Disposal	600.00	
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Automobile Expense	205.71	
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Employment Security Taxes	60.57	
Loss from Doubtful and Bad Accounts	<u>1,561.87</u>	
Total Operating Expenses		<u>15,802.00</u>

NET INCOME

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Housing Authority of the City of Caldwell
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A summary of the transactions attributable to the rental units for 1953 is shown in Exhibit A. The purpose of this summary is to establish the total amount of rental income to be accounted for and the amount of the cash received from that source. Exhibit B presents a summary of the total cash to be accounted for in 1953 and the amount of the cash shortage. Exhibit C shows a break-down analysis relating to the total amount of the shortage derived along with an explanation of how the defalcation was completed.

Although the analysis probably shows the full amount of the loss, the possibility would exist that amounts showing a balance owed and remaining unpaid could be in error. Without confirming these balances, it would be impossible to state that payments were not made on these accounts. If this were true, however, no entries were made to the accounts, because all entries for the 1952 and 1953 period were fully verified in our analysis. From the pattern shown in observing the methods of defalcation found, entries were made to the accounts recording the payment made where those people were in continued occupancy. It would seem, therefore, that any

Housing Authority of the City of Caldwell

-2-

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For the Eleven Months Ending November 30, 1953

Exhibit A

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Add: Amounts Charged in 1953 to November 30, 1953:		
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Other Charges	<u>24.60</u>	
Total Additions		<u>16,183.29</u>
Total		23,163.92
Less: Credits to accounts in 1953 to November 30, 1953:		
Cash Received	\$ 13,937.35	
Other credits including applications of forfeited security deposits	<u>417.84</u>	
Total credits		<u>14,355.19</u>
Balance of Accounts, November 30, 1953*		<u>\$ 8,808.73</u>

*Balance includes \$4,513.26, representing accounts inactive prior to January 1, 1953, and written off as uncollectible on November 30, 1953.

Caldwell Housing Authority of the City of Caldwell
Summary Analysis for Cash Receipts
For the Eleven Months Ending November 30, 1953

Exhibit B

Receipts of Cash:	
Receipts from Rental Accounts (See Exhibit A)	\$ 13,937.35
Other Cash Receipts:	
William Glaisyer, Insurance Refund	39.64
Reduction of Petty Cash Fund	50.00
Sale of Furniture	<u>365.25</u>
Total Cash Receipts to be Accounted For:	\$ 14,135.67
Deposits to Bank Account	<u>13,735.42</u>
Total Cash Unaccounted for	\$ <u>397.25</u>

**Caldwell Housing Authority of the City of Caldwell
Statement of Cash Short and Unaccounted for
As at November 30, 1953**

Exhibit C

Cash Unaccounted for, 1952 (See Note 1)	\$ 40.00
Total Cash Unaccounted for per Exhibit B for the Eleven Months Ending November 30, 1953 (See Note 2)	397.25
Total Cash Short and Unaccounted For (See Note 3)	437.25

Note 1. Credit was given to the Ross Ferro account for \$40.00 which was not evidenced by valid receipts. Credit was applied for \$20.00 each on two receipts numbered #12416 and #12427. Receipt #12416 was originally issued to Dwight Kinney for \$30.00; receipt #12427 was originally issued to Eugene Dawitt for \$30.00. Credits were given to the latter accounts, and the amounts were properly included in the receipts. Credits given to the Ross Ferro account were not evidenced by these receipts nor any other receipts for the year. Neither were any amounts received deposited for the credits given. Thus, there was no accountability for the credits given.

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CREDIT GIVEN PER RECEIPTS

<u>Receipt Number</u>	<u>Name</u>	<u>Amount</u>
12761	Ruth Howard	10.00
12871	Vinnie Richards	6.91
12860	A. B. Drake	20.00
12813	Ira Ekart	40.00
12736	A. B. Drake	10.00
12769	Pearl Wilmart	32.50
12748	C. A. Pimlott	46.00
12736	Helen Smith	60.00
12723	Credit Bureau	15.82
12719	L. D. Bransan	18.00
12715	Joe Arellan	40.00
12702	L. J. Redmond	21.08
12692	George Charlton	30.00
12660	Voided	
12654	Leslie Ford	31.50
12633	Lucille Jordan	36.00

ADDITIONAL CREDIT GIVEN

<u>Name</u>	<u>Amount</u>
Vinnie Richards	5.00
Ross Ferro	10.00
Ross Ferro	10.00
Ross Ferro	20.00
Ross Ferro	10.00
Ross Ferro	20.00
Ross Ferro	20.00
Ross Ferro	15.00
Ross Ferro	20.00
Ross Ferro	10.00
Ross Ferro	10.00
Ross Ferro	5.00
Ross Ferro	10.00
Ross Ferro	20.00
Ross Ferro	20.00

**Caldwell Housing Authority of the City of Caldwell
Statement of Cash Short and Unaccounted for
As at November 30, 1953**

Exhibit C (Continued)

CREDIT GIVEN PER RECEIPTS

<u>Receipt Number</u>	<u>Name</u>	<u>Amount</u>
11985	E. A. Daniels	\$ 32.50
12523	Ray Parks	18.50
12807	L. Cooper	40.00
12687	A. B. Drake	5.00
12683	Receipt missing, note included saying it was torn and voided.	

ADDITIONAL CREDIT GIVEN

<u>Name</u>	<u>Amount</u>
Ross Ferro	\$ 20.00
Ross Ferro	10.00
Wayne Fratwell	35.00
George Dufur	16.25
Florence Romjue	65.00

Total for accounts credited without receipts	371.25
Add: Deposit of January 28, 1953 less than amount shown on receipts for receipts included therein	20.00
Unidentified difference between total of unaccountable receipts and specific items shown	<u>6.00</u>
Total Cash Short and Unaccounted for	<u>\$ 397.25</u>

Note 3. The above total is inclusive of all items presently unaccounted for. In addition to this, the bookkeeper received \$37.50 from Lloyd King and voided the duplicate receipt. The bookkeeper was apprehended before any credits were made to the account in actual payment or in coverage of the loss. All receipts for the period were examined, and all voided receipts appeared to be in order inasmuch that all copies were filed. After apprehension, the bookkeeper paid back the \$37.50 and receipts were properly prepared.