

**Agreed Upon Procedures (AUP)
Prescribed Format for AUP Reporting**

Local Housing Authority: _____
Executive Director: _____

Date of Agreed Upon Procedures (AUP): _____
Certified Public Accounting Firm: _____

Category	Procedures	Score/Rating
Rent Collections/Accounts Receivable/Vacated Accounts	<ul style="list-style-type: none"> • Obtain an understanding of key controls over rent collections, write-offs and accounts receivable. • Perform a walk-through of one to three individual rent receipts to verify that controls are in place as documented. • Trace amounts reported on Form 51-4 to the general ledger for accuracy and completeness. • Obtain detail of write-offs and verify that write-offs were included in accounts receivable at the beginning of the year. 	<p>No Findings or No Findings with Recommendations: Clear, understandable policies and procedures for receipt of rents, collection of rents and write-offs of vacated accounts. Key controls in place and followed that allow for segregation of duties. Proper documentation on file with necessary approvals. May include recommendations that do not involve significant exceptions.</p> <p>Operational Guidance: Clear, understandable policies and procedures for receipt of rents, collection of rents and write-offs of vacated accounts. Key controls in place and followed. Isolated findings or limited number of exceptions, exceptions not significant in nature (Examples: clerical/human error, isolated instances of a missing documentation or approval).</p> <p>Corrective Action: No policies and procedures for receipt of rents, collection of rents and write-offs of vacated accounts or, policies and procedures not being implemented. Numerous findings or pervasive issues, exceptions significant in nature (Examples: failure to properly post rents, missing rent deposits, failure to reconcile bank statements).</p>

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Payroll / Travel / Fringe	<ul style="list-style-type: none"> • Verify analytically that wages reported on Form 51-1 reconcile to amounts reported on Forms 941 or WR-1. • Compare WR-1 amounts reported for the five highest paid employees, including the highest paid maintenance employee to the operating budget. • Select a single pay period and trace timesheets/timecards to the payroll register. Test for completeness, accuracy, and proper approvals. • Obtain a compensated absences liability schedule and reconcile to Form 51-4 and the general ledger. Test for consistency with the personnel policy. 	<p>No Findings or No Findings with Recommendations: Clear, understandable policies and procedures for the tracking and payment of employee time worked, compensated absences, travel reimbursement and fringe benefits. Key controls in place and followed that allow for accurate tracking, payment and reconciliation of employee time worked, compensated absences and fringe benefits. Proper documentation on file with necessary approvals. May include recommendations that do not involve significant exceptions.</p> <p>Operational Guidance: Clear, understandable policies and procedures for the tracking and payment of employee time worked, compensated absences, travel reimbursement and fringe benefits. Key controls in place and followed that allow for accurate tracking, payment and reconciliation of employee time worked, compensated absences and fringe benefits. Isolated findings or limited number of exceptions, exceptions not significant in nature (Examples: clerical/human error, isolated instances of a missing documentation or approval).</p>

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Payroll / Travel / Fringe (Continued)		Corrective Action No clear, understandable policies and procedures for the tracking and payment of employee time worked, compensated absences, travel reimbursement and fringe benefits or policies and procedures not being implemented. No key controls in place and/or followed that allow for accurate tracking, payment and reconciliation of employee time worked, compensated absences and fringe benefits. Numerous findings or pervasive issues, exceptions significant in nature (Examples: failure to accurately maintain employee time, process payroll or reconcile payroll period along with compensated absences).
Disbursements / Accounts Payable	<ul style="list-style-type: none"> • Obtain an understanding of key controls over accounts payable and cash disbursements. • Perform walk-through of one of each of the following cash disbursements transactions; operating expenditure, capital expenditure, and employee reimbursement to verify that 	<p>No Findings or No Findings with Recommendations: Clear and understandable policies and procedures for disbursements and accounts payable. Key controls in place and followed that allow for accurate accounting of disbursements, internal controls and the segregation of duties. May include recommendations that do not involve significant exceptions.</p> <p>Operational Guidance: Clear and understandable policies and procedures for disbursements and accounts payable. Key controls in place and followed that allow for accurate accounting of disbursements, internal</p>

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Disbursements / Accounts Payable (Continued)	<p>controls are in place, as documented.</p> <ul style="list-style-type: none"> Review credit/debit card, travel and reimbursement policies and select a sample of credit/debit card expenditures. Determine if a policy is in place, and if it is adequate (If credit cards and/or debit cards are used at the LHA, but there is no written policy, firm should note this in the report). Select a sample of 10 cash disbursement transactions occurring during the fiscal year and test for the following attributes: Supporting documentation, approval, allowability, allocation and classification. 	<p>controls and the segregation of duties. Isolated findings or limited number of exceptions, exceptions not significant in nature (Examples: clerical/human error, isolated instances of a missing documentation or approval).</p> <p>Corrective Action: No policies and procedures for disbursements and accounts payable that allow for accurate accounting of disbursements, internal controls and the segregation of duties or, policies and procedures not being implemented. Numerous findings or pervasive issues, exceptions significant in nature (Examples: numerous instances of missing documentation and/or proper approval for payment, use of credit card for personal expenses or alcohol purchase, fraud, etc.)</p>

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Inventory (Fixed Assets)	<ul style="list-style-type: none"> • Obtain a copy of the depreciation schedules/fixed asset listing, reconcile to Form 51-1 and evaluate for completeness and sufficiency of detail. • Verify capitalization policy is within state established limits. • Trace vehicles listing to insurance policies. 	<p>No Findings of Findings with Recommendations: Clear and understandable policies and procedures for inventory records and fixed assets register. Key controls in place and followed that allow for accurate accounting of fixed assets traceable to the General ledgers.</p> <p>Operational Guidance: Clear and understandable policies and procedures for inventory records and fixed assets register. Isolated findings or limited number of exceptions, exceptions not significant in nature (Examples: missing asset tag number, clerical errors that are considered minor in nature, etc.)</p> <p>Corrective Action: No written policies and procedures for fixed assets and inventory records that allow for accurate accounting of inventory records, internal controls and accuracy of fixed assets general ledger, policies and/or procedures not being implemented.</p>
Procurement / Public Bidding for Goods & Services	<ul style="list-style-type: none"> • Obtain copy of the procurement policy and verify consistency with MGL 30B. 	<p>No Findings or No Findings with Recommendations: LHA has an up to date and comprehensive procurement policy approved by the board and has appropriate CPO designation. Contracts and disbursements balance. LHA used proper MGL c.30B process for procuring goods</p>

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<p>Procurement / Public Bidding for Goods & Services (Continued)</p>	<ul style="list-style-type: none"> • Obtain a copy of the contract register and evaluate for completeness by analyzing the cash disbursements journal. • Select a sample of known or possible procurements (at least one procurement over \$35k (bid threshold) and at least one procurement over \$10k (quote threshold) and test for the following: approval, compliance with procurement policy, and proper selection based on MGL c.30B s.5 IFB requirements or MGL c.30B s.6 RFP requirements. 	<p>and/or services. LHA file contains copy of Bid/Proposal package along with vendor responses for each procurement.</p> <p>Operational Guidance: LHA needs assistance updating its Procurement Policy and using the DHCD Contract for Goods & Service. LHA needs to prepare and maintain a contract register & have a complete file containing the procurement, quotes or bids received and board approval awarding the contract in accordance with its procurement policy.</p> <p>Corrective Action: No written Procurement Policy to follow and no CPO designation. Discrepancy between cash disbursements and contract amount. Payments made without a contract in place. Failure to follow MGL c.30B ss.5 & 6 procurement requirements. Entered into a vendor's contract which had automatic renewals without further competitive bidding. Failed to obtain DHCD's contract validation.</p>

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<p>Cash Management & Investment Practices</p>	<ul style="list-style-type: none"> • Trace bank reconciliations and bank statements to the general ledger and Form 51-4. Examine existence of deposits in transit and completeness of outstanding checks. • Verify that accounts are properly insured or collateralized. • Select a mid-year bank statement and test the reconciliation. 	<p>No Findings or No Findings with Recommendations: Clear and understandable policies and procedures for bank deposits and bank statements. Key controls in place and followed that allow for segregation of duties (Example: the individual that receives cash\checks does not make bank transactions, locked box usage). All bank accounts are fully collateralized or insured. Proper documentation on file with required approvals.</p> <p>Operational Guidance: Clear and understandable policies and procedures for bank deposits and bank statements. Key controls in place and followed that allow for segregation of duties (Example: the individual that receives cash\checks does not make bank transactions, locked box usage). Proper documentation on file with required approvals. Isolated findings or limited number of exceptions, exceptions not significant in nature (Examples: clerical/human error, isolated instances of a missing deposit slip or approval).</p> <p>Corrective Action: No policies and procedures for deposits handling and bank accounts (investments) are not fully collateralized or insured, that allow for accurately securing of funds, internal controls and the</p>

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Cash Management & Investment Practices (Continued)		segregation of duties or, policies and procedures not being implemented. Numerous findings or pervasive issues, exceptions significant in nature (Examples: numerous instances of missing documentation and/or proper records of funds deposited, theft or fraud involving cash payments, etc.)
Operating Subsidy	<ul style="list-style-type: none"> Obtain copy of the ANUEL and trace actual amounts (rental income, utilities, etc.) to general ledger, and verify amounts listed as exemptions. 	<p>No Findings or No Findings with Recommendations: Clear and understandable policies and procedures for operating subsidy calculation. Key controls in place and followed that allow for accuracy reporting of revenues and expenditure that effect earned subsidy (Example: shelter rents are properly accounted for, other revenues such as interests on investments and utilities are accurately reported and the reported administrative staff salaries agreed with budgeted amounts).</p> <p>Operational Guidance: Clear and understandable policies and procedures for operating subsidy calculation. Key controls in place and followed that allow for accuracy reporting of revenues and expenditure that effect earned subsidy (Example: shelter rents are properly accounted for, Utilities are accurately reported</p>

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Operating Subsidy (Continued)		<p>and the reported administrative staff salaries agreed with the budgeted amounts).</p> <p>Corrective Action: No accurate procedures for accounting and recording of operating subsidies, certain revenues are not accounted for, policies and procedures not being followed. Numerous findings or pervasive issues, exceptions significant in nature (Examples: numerous instances of missing other revenues other than shelter rents and/or overspending of the administrative salaries that result in loss of operating subsidy revenues, etc.)</p>
Annual Rent Calculation & Compliance	<ul style="list-style-type: none"> Select a sample of tenant files (from programs 200, 667, 705 and MRVP), in accordance with the following schedule (if the LHA has multiple property managers, at least one file should be selected per manager): 	<p>No Findings or No Findings with Recommendations: Clear and understandable procedures are in place that allow for accurate determination of eligibility for continued occupancy, calculation of tenant rent, notice of annual redetermination, notice of rent change, and an executed lease addendum are done in accordance with 760 CMR 5.00 and 760 CMR 6.00. A Rent Roll and/or HAP Roll is maintained, complete and accurate. Third party sources used to verify income and deductions. Files contain all required documentation and are arranged in an orderly manner.</p>

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<p>Annual Rent Calculation & Compliance (Continued)</p>	<table border="1"> <thead> <tr> <th align="center"><u>LHA Size</u></th> <th align="center"><u>State Units</u></th> <th align="center"><u>Sample Size</u></th> </tr> </thead> <tbody> <tr> <td align="center">Small LHA</td> <td align="center">1-199</td> <td align="center">5</td> </tr> <tr> <td align="center">Medium LHA</td> <td align="center">200-499</td> <td align="center">10</td> </tr> <tr> <td align="center">Large LHA</td> <td align="center">500-999</td> <td align="center">10-15</td> </tr> <tr> <td align="center">Very Large LHA</td> <td align="center">1,000 or more</td> <td align="center">15</td> </tr> </tbody> </table> <p>Perform the following procedures:</p> <ul style="list-style-type: none"> • Obtain the rent roll and HAP roll and verify analytically the completeness of the resident population. (Rent roll and HAP roll support what is reported on Form 51-1) • Test rent calculation for proper verification of income, expenses and deductions 	<u>LHA Size</u>	<u>State Units</u>	<u>Sample Size</u>	Small LHA	1-199	5	Medium LHA	200-499	10	Large LHA	500-999	10-15	Very Large LHA	1,000 or more	15	<p>Operational Guidance: Clear and understandable procedures are in place that allow for accurate determination of eligibility for continued occupancy, calculation of tenant rent, notice of annual redetermination, notice of rent change, and an executed lease addendum are done in accordance with 760 CMR 5.00 and 760 CMR 6.00. Determinations are generally correct, however, certain documentation is missing at times leading to inconsistencies in process. A Rent Roll and/or HAP Roll is maintained, complete and accurate. Files may not be orderly and complete, and third party verification of income and deductions is somewhat lax, but not to the extent that any regulatory requirement is violated. LHA does not have 100% of their tenant rent redeterminations complete, but missing redeterminations does not exceed 2% of occupied units per program.</p> <p>Corrective Action: Either clear and understandable procedures are not in place or are not being followed to allow for accurate determination of eligibility for continued occupancy, calculation of tenant rent, notice of annual redetermination, notice of rent change, and an executed lease addendum to be done in accordance with 760 CMR 5.00 and 760 CMR 6.00. Regulations are not</p>
<u>LHA Size</u>	<u>State Units</u>	<u>Sample Size</u>															
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