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HOUSING AUTHORITY OF THE CITY OF ATLANTA, GA. 1938 RESURGENS

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CARLTON GARRETT
DIRECTOR OF FINANCE
GILBERT H. BOGGS
DIRECTOR OF HOUSING
GEORGE R. SANDER
TECHNICAL DIRECTOR

824 HURT BUILDING
ATLANTA, GEORGIA 30303
JACKSON 3-6074

February 17, 1967

The Honorable Fletcher Thompson
Member of Congress
House of Representatives
Washington, D. C.

Dear Sir:

Thank you for your letter of February 9, 1967, which arrived in my absence from the city. I am glad to have this opportunity to supplement and clarify the facts surrounding the report by the Comptroller General to the Congress, a copy of which you sent me.

As I am sure you know, the function of the General Accounting Office is to investigate the policies, procedures and performance of Federal agencies and not to conduct fiscal audits on local housing authorities. In this instance the General Accounting Office was reviewing the PHA policy on investments of funds held by housing authorities. Fiscal audits of all housing authorities are conducted by auditors of the PHA (now the HAA) itself.

The requirements of the PHA for the period covered were that there should be a forecast made quarterly to determine cash operating needs for that quarter, and to schedule the retention of ready cash for the purpose of meeting these needs. This requirement was being fully complied with for the entire period. The basis for that policy is found in the Annual Contributions Contract between the Atlanta Housing Authority and the PHA, Section 202, Paragraph E of Part II: "If at any time the Local Authority has monies on deposit in the General Fund in excess of the <u>prudently</u> <u>estimated</u> <u>needs</u> for the next 90 days, such excess funds shall be invested, etc." The fiscal audits conducted by PHA for the period 1960 through 1963 investigated our investments and found no fault. The PHA auditor in 1963, however, pointed out that the Atlanta Housing Authority had $10,000 of operating funds, not excess funds, on deposit in three dormant bank accounts which could have been invested. This was done. In retrospect, after GAO had raised the question, PHA took the position that their auditors had been too conservative in previous years.

Reference to this will be found on Page 24 of the GAO Report in Appendix No. II. In the 1964 audit, which was conducted after GAO had visited us, the PHA audit recommended use of a method outlined in the Local Housing Authority Handbook. This suggested method was not available to us for the first 3 1/4 years of the report period. Furthermore, even after receiving it we were using a 60-day projection period instead of the 90 days required, and felt that our years of experience provided an equally sound and accurate basis for cash requirement estimates as did the guidelines.

We disagree with the General Accounting estimates as to how much might have been earned on additional interest revenue during the 12 months ended May 31, 1964. Balances on hand fluctuate sharply so that the average cash balance is no index of the continuing opportunity to invest funds. A large number of separate accounts is involved. Dates of large payments are sometimes deferred for good reason. However, when looking back at what had occurred in previous months, the GAO was able to cite as a possibility a narrow margin between cash on hand and estimated needs. More importantly, to achieve the narrow margin which the GAO achieved, could not be done in advance without very frequent reviews requiring a large increase in the amount of employee time required, and the increased interest earnings would be gross, and not net, savings.

While the GAO estimated that an earning of $12,000 could have been made, an audit by PHA immediately afterward came up with a smaller figure. It was our estimate at that time that the net saving, taking into consideration employee time and other overhead, would be a smaller portion of the $12,000 and, in fact, might be virtually offsetting. At any rate, as you will see from our remarks on pages 26, 27 and 28 that we went far beyond the guidelines proposed by the Management Manual and adopted a regular semi-monthly review, plus individual reviews when large funds were received between semi-monthly reviews. This was done prior to September 9, 1965. Shortly thereafter we went to regular weekly reviews, a practice which we suggested to PHA be made national policy. Although PHA did not accept our suggestion in that form, we understand that this is being recommended and used widely.

We in the Authority were surprised and disappointed that both Atlanta newspapers released the story without giving us an opportunity to respond and that the story, which was filed from Washington, appeared to have overlooked the material contained in Appendix III of the report itself, which if carefully read throws a somewhat different light on the report.

Please let us know if there is any additional information which you wish.

Sincerely,

M B Satterfield

M. B. Satterfield
Executive Director

MBS:dm