

REPORT ON THE AUDIT OF
NATIONAL CAPITAL HOUSING AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 1951

LETTER
FROM THE
COMPTROLLER GENERAL OF THE
UNITED STATES

TRANSMITTING

THE REPORT ON THE AUDIT OF NATIONAL CAPITAL
HOUSING AUTHORITY FOR THE FISCAL YEAR ENDED
JUNE 30, 1951, PURSUANT TO SECTION 17 OF THE
DISTRICT OF COLUMBIA REDEVELOPMENT ACT OF
1945 (60 STAT. 801)



MAY 5, 1952.—Referred to the Committee on Expenditures in
the Executive Departments and ordered to be printed

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1952

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LETTER OF TRANSMITTAL

GENERAL ACCOUNTING OFFICE,
COMPTROLLER GENERAL OF THE UNITED STATES,
Washington 25, May 5, 1952.

The honorable the SPEAKER OF THE HOUSE OF REPRESENTATIVES.

DEAR MR. SPEAKER: There is presented herein report on the audit of National Capital Housing Authority for the fiscal year ended June 30, 1951. This audit was made pursuant to section 17 of the District of Columbia Redevelopment Act of 1945 (60 Stat. 801).

Respectfully submitted.

LINDSAY C. WARREN,
Comptroller General of the United States.

LETTER OF TRANSMITTAL

General Accounting Office
Comptroller General of the United States
Washington 25, D.C. 20548

The Honorable the Speaker of the House of Representatives
Washington 25, D.C. 20540

Enclosed for the Committee on Education and the Labor Committee on Labor and Human Resources are two copies of the report of the Comptroller General of the United States, dated June 1, 1967, on the subject of "The Effect of the Federal Reserve System on the Money Supply." This report was submitted to the Committee on June 1, 1967, and is being transmitted to you for their consideration.

Very truly yours,
Comptroller General of the United States

REPORT ON THE AUDIT OF NATIONAL CAPITAL HOUSING AUTHORITY FOR FISCAL YEAR ENDED JUNE 30, 1951

GENERAL ACCOUNTING OFFICE,
DIVISION OF AUDITS,
Washington 25, D. C.

Hon. LINDSAY C. WARREN,
Comptroller General of the United States.

DEAR MR. WARREN: We submit our report on the audit of NATIONAL CAPITAL HOUSING AUTHORITY for the fiscal year ended June 30, 1951, pursuant to section 17 of the District of Columbia Redevelopment Act of 1945 (60 Stat. 801).

The Authority was created by the District of Columbia Alley Dwelling Act, approved June 12, 1934 (5 D. C. Code 103), which provided for the discontinuance of the use as dwellings of buildings situated in alleys of the District of Columbia and for the care of displaced alley population.

The Authority is administered by a board of six members designated by the President from officials of the Federal and District governments. There were 327 employees at June 30, 1951, an increase of 10 employees during the 1951 fiscal year.

At June 30, 1951, the Authority operated 7,707 dwelling units in 44 locations, as follows.

1. Alley Dwelling Act housing (112 units) developed under title I of the District of Columbia Alley Dwelling Act. Rentals and other receipts are deposited as miscellaneous receipts in the United States Treasury. Appropriations are made annually to cover operating expenses.

2. Low-rent housing (2,418 units) developed under title II of the act pursuant to the United States Housing Act of 1937 (42 U. S. C. 1401). Public Housing Administration furnishes financial assistance in the form of loans and annual contributions. Loans are outstanding to the public and PHA on 1,324 permanently financed dwelling units. The amount of annual contribution received on these units (subject to maximum limitation) is the difference between the principal and interest payments and the income from these units. The 1,094 dwelling units temporarily financed by bank loans will not be eligible for annual contributions until they are permanently financed. The income from the temporarily financed units is applied to reduce outstanding indebtedness.

3. Other low-rent housing, war housing, and veterans' re-use housing (5,177 units) are operated under lease and transfer agreements with PHA pursuant to title II of the District of Columbia Alley Dwelling Act and the Lanham Act (42 U. S. C. 1545). The lease agreements provide for payment to PHA of income from the 4,295 war housing and low-rent units; PHA is to reimburse the

Authority for losses incurred. The Authority operates 882 veterans' re-use housing units transferred from PHA under an agreement which provides for payment of operating income to PHA and for the Authority to recover losses, if any, from future operations. Title to the veterans' re-use housing units will be vested in the District of Columbia when they are no longer needed as temporary housing. For purposes of accountability, the cost of these units (\$3,321,000) was recorded in the accounts of the Authority during the 1951 fiscal year. The cost of the housing leased from PHA was about \$20 million.

The Authority has requested and received reservations from PHA for 4,000 low-rent housing units under title III of the Housing Act of 1949 (42 U. S. C. 1441). At June 30, 1951, four projects with 1,504 units were in development (preconstruction) for which annual contribution contracts had been approved by PHA. The estimated cost of the 1,504 units is \$19 million, an average of about \$12,500 per unit. The Housing Act of 1950 (42 U. S. C. 1581-1590) authorized the transfer by PHA of public war housing for conversion to low-rent use. The Authority, at June 30, 1951, had requested and received approval for the transfer of 586 war housing units which it now leases from PHA. The transfer has been suspended temporarily because of the international situation.

COMMENTS ON OPERATIONS

Annual income limits and monthly rents for admission and continued occupancy of low-rent housing were increased in April 1951.

	Admission	Continued occupancy
Income limits for a family of two adults and three children:		
Beginning April 1951.....	\$3,200	\$3,800
Before April 1951.....	2,700	3,400
Range of monthly rents for eligible tenants based on income:		
Beginning April 1951.....	\$10 to \$78	
Before April 1951.....	12 to 65	

The maximum annual income limit for admission to war housing during the 1951 fiscal year was \$3,800; there was no maximum for continued occupancy. The established monthly rents were from \$29 to \$50.50, depending on the size and type of units. Housing is made available to certain distressed families at reduced rates based on the tenants' income. In January 1952 rents on war housing were increased either 15 or 20 percent in accordance with provisions contained in title II of the Defense Production Act Amendments of 1951 (65 Stat. 144).

Net income from housing operated under title I of the District of Columbia Alley Dwelling Act was \$3,983 for the 1951 fiscal year. In determining the net income the Authority deducts a charge for District of Columbia taxes which it is not required to pay (\$10,303 in 1951), and treats the amount of these taxes as donated capital. The receipts of \$56,434 for the 1951 fiscal year are required to be deposited into the United States Treasury. An appropriation of \$38,000 was made to cover operating expenses which amounted to \$35,842 before allowance for depreciation and District of Columbia real estate taxes.

Operation of the permanently financed low-rent housing for the 1951 fiscal year resulted in a loss of \$77,112, after providing for interest

costs and amortization of development costs. The Authority was reimbursed for the loss by annual contributions from PHA in 1952. Losses from inception of the program to June 30, 1951, totaled \$544,050. The operation of the temporarily financed low-rent housing produced income of \$167,342 for 1951 after providing for interest costs but before amortization of the development cost of the housing; amortization for 1951 was computed at this amount. Available funds (\$130,000) were used during 1951 to reduce outstanding temporary loans.

Income of \$646,426 for the 1951 fiscal year obtained from the operation of low-rent housing, war housing, and veterans' re-use housing under lease and transfer agreements has been remitted to PHA under the terms of these agreements.

Delinquent rents receivable from former tenants increased by more than \$40,000 in the 1951 fiscal year. A number of the individual balances exceed \$150—some are over \$300. An analysis of rents receivable from 511 former tenants at eleven projects showed that receivables from 106 of the former tenants totaled more than \$21,000. During the latter part of the 1951 fiscal year, in an effort to improve collections, the Authority designated an employee to make collection and settlement of former tenants' accounts.

During the 1951 fiscal year, pursuant to section 8 of the act of July 1, 1947 (36 U. S. C. 13), the Authority transferred land costing \$119,469 (appraised value \$560,400) to General Services Administration for use by the American National Red Cross, District of Columbia Chapter. The act authorized and directed the Treasurer of the United States to credit the Authority with the fair market value of the property transferred. However, the Authority was advised by the Treasury Department that, since funds were not provided by the Congress for such purpose, there was no account in which credit for the transfer could be made on the Treasury's books, and, if the Authority so desired, appropriate adjustments could be made in its accounts to reflect the transaction. (See exhibit 2.)

EXCEPTIONS

During our examination we observed no program, expenditure, or other financial transaction or undertaking which, in our opinion, was carried on or made without authority of law.

The audit for the 1951 fiscal year performed by the General Accounting Office pursuant to the Budget and Accounting Act of 1921 is complete with respect to disbursements, but the audit of collections has not been completed; requests for additional information on two disbursements totaling \$709 are still outstanding.

SCOPE OF AUDIT AND OPINION

We have examined the balance sheet of National Capital Housing Authority as of June 30, 1951, and the related statement of income and expenses for the year then ended. Our examination was made in accordance with generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances and appropriate in view of the effectiveness of the Authority's internal control and the work performed by the audit branch of PHA.

In our opinion, the accompanying financial statements, including the notes, present fairly the financial position of National Capital Housing Authority at June 30, 1951, and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year or with applicable Federal laws and regulations except as stated in notes 3 and 7 to the financial statements.

STEPHEN B. IVES,
Associate Director of Audits.

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

NATIONAL CAPITAL HOUSING AUTHORITY

BALANCE SHEET—JUNE 30, 1951 AND 1950

EXHIBIT 1

<u>ASSETS</u>	<u>1951</u>	<u>1950</u>
CASH.....	\$1,678,187	\$1,613,756
ACCOUNTS RECEIVABLE:		
Due from tenants (note 2).....	163,429	116,475
Due from Government agencies and others.....	40,740	40,120
	204,169	156,595
INVESTMENTS IN GOVERNMENT SECURITIES.....	47,550	48,100
FUNDS ON DEPOSIT WITH FISCAL AGENT (contra to reserve for debt service)...	129,879	115,780
PREPAID EXPENSES.....	177,108	115,336
LAND, STRUCTURES, AND EQUIPMENT:		
Alley Dwelling Act housing.....	578,667	698,136
Less depreciation.....	87,729	81,423
	490,938	616,713
United States Housing Act housing.....	13,494,612	13,175,826
Less amortization (note 6).....	1,373,653	1,124,307
	12,120,959	12,051,519
Veterans' re-use housing.....	3,321,000	-----
Miscellaneous equipment less depreciation.....	2,036	2,036
	15,934,933	12,670,268
	<u>\$18,171,826</u>	<u>\$14,719,835</u>
<u>LIABILITIES</u>		
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:		
Accounts payable (note 3).....	\$217,932	\$184,688
Accrued operating and other expenses.....	244,939	181,153
Tenants' security deposits, prepaid rents, and miscellaneous deposits.....	94,961	100,307
Employees' withholding tax and U. S. savings bond deductions.....	29,173	20,495
Unremitted advances and operating income due PHA.....	230,586	202,483
Due to other Government agencies.....	31,790	14,420
Employees' accrued annual leave (note 4).....	-----	-----
	849,381	703,546
NOTES PAYABLE TO BANKS:		
Maturing November 30, 1951 (average interest rate 1.15%).....	5,628,000	5,758,000
BONDS PAYABLE HELD BY PUBLIC:		
Series "A" serial bonds (interest 1.75% to 2.5%) maturing from September 1, 1951, to September 1, 1955.....	3,221,000	3,283,000
RESERVES FOR:		
Future operations.....	819,518	819,225
Debt service (contra to funds on deposit with fiscal agent).....	129,879	115,780
	949,397	935,005
INVESTMENT OF UNITED STATES GOVERNMENT (exhibit 2).....	7,524,048	4,040,284
	<u>\$18,171,826</u>	<u>\$14,719,835</u>

The notes on page 10 are an integral part of this statement.

EXHIBIT 2

NATIONAL CAPITAL HOUSING AUTHORITY
INVESTMENT OF THE UNITED STATES GOVERNMENT

June 30, 1951 and 1950

	1951	1950
ALLEY DWELLING ACT HOUSING:		
Initial appropriations from U. S. Treasury.....	\$865, 497	\$865, 497
Appropriations for operations, net.....	106, 240	68, 391
Excess of fair market value over cost of land transferred to General Services Administration.....	440, 931	-----
Gain on disposition of capital assets.....	6, 507	6, 507
	<u>1, 419, 175</u>	<u>940, 395</u>
Deduct:		
Receipts deposited in U. S. Treasury.....	405, 025	353, 974
Receipts available for deposit in U. S. Treasury.....	15, 054	-----
Fair market value of land transferred to General Services Administration.....	560, 400	-----
Cumulative loss from operations.....	48, 399	52, 382
	<u>1, 028, 878</u>	<u>406, 356</u>
	<u>390, 297</u>	<u>534, 039</u>
Donated capital, exemption from real estate taxes granted by District of Columbia (offset by annual charges to expenses).....	103, 823	93, 520
Investment in Alley Dwelling Act housing.....	494, 120	627, 559
UNITED STATES HOUSING ACT HOUSING:		
Series "B" serial 2.5% bonds payable to PHA maturing from September 1, 1986, to September 1, 2000.....	3, 119, 000	3, 119, 000
Notes payable to PHA (2.5%).....	430, 150	70, 000
Annual contribution prepaid by PHA.....	205, 890	205, 890
Annual contribution due from PHA (exhibit 3).....	77, 112*	13, 165*
Appropriated from U. S. Treasury to pay court of claims judgment.....	31, 000	31, 000
Investment in United States Housing Act housing.....	<u>3, 708, 928</u>	<u>3, 412, 725</u>
VETERANS' RE-USE HOUSING TRANSFERRED FROM PHA.....	<u>3, 321, 000</u>	<u>-----</u>
INVESTMENT OF UNITED STATES GOVERNMENT (exhibit 1).....	<u>\$7, 524, 048</u>	<u>\$4, 040, 284</u>

*Deduction

The notes on page 10 are an integral part of this statement.

EXHIBIT 3

NATIONAL CAPITAL HOUSING AUTHORITY

STATEMENT OF INCOME AND EXPENSES

For the Year Ended June 30, 1951

	Total	Properties owned by NCHA		Leased or owned hous- ing on which operating in- come is pay- able to PHA
		Alley Dwell- ing Act housing	U.S. Hous- ing Act housing	
	(7,707 units)	(112 units)	(2,418 units)	(5,177 units)
GROSS INCOME:				
Dwelling rental.....	\$3,546,115	\$51,928	\$1,205,579	\$2,288,608
Nondwelling rental and other project income.....	28,263	4,506	5,075	18,682
Interest on investments.....	2,480	-----	2,480	-----
	3,576,858	56,434	1,213,134	2,307,290
EXPENSES:				
Management.....	483,449	7,232	149,538	326,679
Operating services.....	94,756	2,605	49,546	42,605
Utilities.....	628,708	12,425	312,014	304,269
Repairs, maintenance, and replacements.....	866,590	9,667	330,784	526,139
Public services.....	27,213	256	202	26,755
Land rental.....	164,636	-----	-----	164,636
Payments in lieu of taxes (note 7).....	273,691	-----	49,549	224,142
District of Columbia real estate taxes (offset by a credit to capital).....	10,303	10,303	-----	-----
Insurance.....	22,520	-----	18,487	4,033
Collection losses.....	10,991	149	4,412	6,430
Provision for operating reserve.....	60,619*	351*	73,599*	13,331
Operating improvements.....	36,258	4,629	17,681	13,948
Miscellaneous expenses and prior years adjust- ments.....	2,613*	770*	9,740*	7,897
	2,555,883	46,145	848,874	1,660,864
Income before other expenses.....	1,020,975	10,289	364,260	646,426
Interest on bonds and notes.....	197,931	-----	197,931	-----
Provision for unmatured debt service.....	14,099	-----	14,099	-----
Amortization of development costs (note 6)....	229,342	-----	229,342	-----
Depreciation.....	6,306	6,306	-----	-----
	447,678	6,306	441,372	-----
INCOME (-Loss).....	\$573,297	\$3,983	-\$77,112	\$646,426

*Deduction

The notes on page 10 are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1951

1. The financial statements in this report are not presented in the same form as those prepared by the Authority, although both are based on the same accounting data. The form of presentation has been revised to combine similar activities, reclassify accounts relating to the investment of the United States Government, and for conciseness.

2. Accounts receivable include \$56,761 due from tenants and \$106,668 due from former tenants. The Authority considers \$74,666 of these accounts as doubtful of collection and has provided a reserve of \$46,077, which is included in the reserve for future operations.

3. Liabilities include about \$166,000 representing obligations for which goods or services have not been received. The Authority has consistently followed this practice in preparing its financial statements.

4. Employees' accrued annual leave at June 30, 1951, is estimated by the Authority to be \$164,285.

5. Suits and claims of \$211,000 are pending against the Authority. The Authority estimates that these suits and claims will be settled for less than 50 percent of this amount.

6. In accordance with the agreements with PHA, the amount included in operating expenses as amortization of the cost of the permanently financed United States Housing Act housing is equal to the amount required for debt liquidation during the year. The debt is scheduled to be liquidated by the end of the estimated useful life of the projects. Amortization applicable to the temporarily financed United States Housing Act housing is computed at the amount of net income from operation of the property before deducting amortization.

7. The Housing Act of 1949, approved July 15, 1949, permitted the Authority to make payments in lieu of real estate taxes retroactively to fiscal year 1947 on the permanently financed United States Housing Act projects. Payments for 1947 and 1948 were made in fiscal year 1950. Payments for 1949 and 1950 (\$100,537) were made in fiscal year 1951. In preparing statements of income and expenses the Authority included a provision for payment in lieu of taxes for fiscal year 1951 in the expenses applicable to that year but the payments for prior years had not been included in the expenses of the years to which they applied.

8. The financial statements and records do not include certain costs which the Authority is not required by law to pay. The costs not included are (1) interest on a part of the Government's investment, (2) the Government's share of the cost of furnishing retirement, disability, and compensation benefits to Authority employees, and (3) other costs incurred by other Government agencies for the Authority's account or benefit.

EXHIBIT 4

NATIONAL CAPITAL HOUSING AUTHORITY
STATEMENT OF SOURCES AND APPLICATION OF FUNDS

For the Year Ended June 30, 1951

SOURCES OF FUNDS:	
Appropriation for Alley Dwelling Act housing.....	\$38,000
From PHA:	
Loans.....	360,150
Contribution for payments in lieu of taxes for prior years (note).....	100,537
Annual contributions for 1950 fiscal year loss.....	13,165
Income from operations before deducting interest, amortization, and sundry noncash charges.....	1,031,571
Refunds of utility deposits.....	14,155
Net change in receivables, investments, prepaid expenses, and liabilities.....	23,991
	<u>\$1,581,569</u>
APPLICATION OF FUNDS:	
Increase in land, structures, and equipment.....	\$298,782
Income remitted to PHA for:	
1951 fiscal year.....	474,203
1950 fiscal year.....	202,483
Payment of interest.....	197,931
Payments in lieu of taxes for prior years (note).....	100,537
Reduction of notes payable to banks.....	130,000
Reduction of series "A" bonds.....	62,000
Deposits of receipts from Alley Dwelling Act housing to general fund receipts of U. S. Treasury.....	51,051
Deposit of 1949 lapsed appropriation to U. S. Treasury.....	151
Increase in cash.....	64,431
	<u>\$1,581,569</u>

NOTE: See note 7 to financial statements.



EXHIBIT 1

NATIONAL CAPITAL HOUSING AUTHORITY
STATEMENT OF RECEIPTS AND ALLOCATION OF FUNDS
For the Year Ended June 30, 1961

Receipts		Allocation of Funds	
1. Federal Government	1,000,000	1. Federal Government	1,000,000
2. State of Maryland	500,000	2. State of Maryland	500,000
3. Local Government	100,000	3. Local Government	100,000
4. Private Contributions	200,000	4. Private Contributions	200,000
5. Interest on Bonds	150,000	5. Interest on Bonds	150,000
6. Rental Income	100,000	6. Rental Income	100,000
7. Other Income	50,000	7. Other Income	50,000
Total Receipts	2,000,000	Total Allocation	2,000,000
1. Federal Government	1,000,000	1. Federal Government	1,000,000
2. State of Maryland	500,000	2. State of Maryland	500,000
3. Local Government	100,000	3. Local Government	100,000
4. Private Contributions	200,000	4. Private Contributions	200,000
5. Interest on Bonds	150,000	5. Interest on Bonds	150,000
6. Rental Income	100,000	6. Rental Income	100,000
7. Other Income	50,000	7. Other Income	50,000
Total Receipts	2,000,000	Total Allocation	2,000,000

Notes: See page 1 to 10 for details.