



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report - Issued March 28, 2013

Adams Housing Authority

For the period July 1, 2009 through December 31, 2011



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INTRODUCTION AND SUMMARY OF FINDINGS AND RECOMMENDATIONS

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted an audit of certain activities of the Adams Housing Authority for the period July 1, 2009 through December 31, 2011. The objectives of our audit were to assess the adequacy of the Authority's management control system for measuring, reporting, and monitoring the effectiveness of its programs, and to evaluate its compliance with laws, rules, and regulations applicable to each program. In addition, we reviewed the Authority's progress in addressing the conditions noted in our prior audit report (No. 2006-0593-3A), which covered the period July 1, 2003 through June 30, 2005.

In addition to the detailed results discussed in this report, other findings and recommendations were noted and discussed with the auditee. These findings relate to an outdated management plan, unapproved timesheets, insufficient documentation of time worked, and unapproved use of cell phones.

Highlight of Audit Findings

- Our current audit identified that the Adams Housing Authority has taken measures to address two of the issues we identified during our prior audit of the Authority. Specifically, our prior audit found that the Authority did not conduct the required annual unit inspections of its Chapter 667 elderly dwelling units and a Chapter 705 family apartment for over two years. Our current audit determined that the Authority inspected all Chapter 667 units and Chapter 705 units within the last calendar year in accordance with Department of Housing and Community Development (DHCD) regulations. Also, our prior audit found that the Authority's operating subsidy records did not agree with DHCD records. Our current audit found that the discrepancy we noted was resolved.
- The Authority has taken partial corrective action on recommendations from our prior audit report regarding noncompliance with certain provisions of the State Sanitary Code and getting vacant units reoccupied within DHCD recommended timeframes, but still needs to take additional measures to be in full compliance.
- The State Appointee position to the Authority's Board of Commissioners has been vacant since 2002, despite Authority attempts to get the position filled. Three Board of Commissioners meetings had to be canceled because of the lack of a quorum, which may not have happened if this position had been filled.
- The Town of Adams may have overcharged the Authority \$9,611 for fiscal years 2010 through 2012 for Payment in Lieu of Taxes (PILOT) on its scattered-site family housing properties.

- During our audit period, the Authority's employees did not complete time sheets showing the number of hours they worked each day.
- Although the Authority's Management Plan is periodically updated and the Authority follows DHCD's management guidelines, its own Management Plan should be reviewed and updated for items like travel and cell-phone policies.
- The Authority has insufficient internal controls over its revenue from clothes washers and dryers.

Recommendations of the State Auditor

- The Authority should continue to work with DHCD in obtaining the necessary funding to address the State Sanitary Code violations we identified.
- The Authority should improve its vacant unit turnaround time by increasing the waiting list of available applicants. Further, the Authority must prioritize the rehabilitation of its housing units to be able to meet the DHCD goal of turning vacant units into rented ones within 21 business days. Doing so would allow the Authority to increase its rental revenue and lessen its reliance on state subsidies.
- The Authority should continue to follow up with DHCD to get a state appointee added to its Board of Commissioners.
- The Authority should work with the Town of Adams to ensure that the Authority's PILOT payments are correctly calculated. Further, the Town should reimburse the Authority for the amount it overcharged for PILOT payments during our audit period, which we calculate to be \$9,611.
- The Authority should strengthen its controls over payroll by implementing, and continuing to follow, a process to track hours worked by its employees. This process should involve requiring employee and supervisor signoff of timesheets in order to fully support payroll expenditures.
- The Authority's Management Plan should be routinely updated and should include all applicable and current Authority and DHCD policies and procedures.
- The Authority should adopt policies and procedures related to cell-phone use and ensure that they are consistent with the DHCD guidelines.
- The Authority should consider improving controls over washer and dryer income.

Agency Progress

Adams Housing Authority officials indicated that they are in the process of addressing the State Sanitary Code violations we identified and are continuing to work with town and state officials on

filling the vacancy in its Board of Commissioners. It has also implemented a timesheet system for employees to use to track their work hours and adopted a policy on cell-phone use.

OVERVIEW OF AUDITED AGENCY

The Adams Housing Authority was established in 1968 and is authorized by, and operates under, the provisions of Chapter 121B of the Massachusetts General Laws, as amended. The Authority manages 90 units, including 64 one-bedroom elderly units (Chapter 667-1); 18 family units with one, two, or three bedrooms (Chapter 705-1); six three-bedroom family units (Chapter 705-2); and eight units for the developmentally disabled (Chapter 689-1). Additionally, the Authority manages a two-unit home (Chapter 705-2) that consists of one two-bedroom unit and one four-bedroom unit, located at 221 East Road. However, it has been off line since 2002. Each of the foregoing units is located in Adams. The Authority also administers two mobile vouchers under the Massachusetts Rental Voucher Program.

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted an audit of certain activities of the Adams Housing Authority for the period July 1, 2009 through December 31, 2011. The objectives of our audit were to determine the Authority's compliance with applicable laws, rules, and regulations and to review and analyze its management controls and practices over the following areas and functions for the purpose of determining their adequacy: (1) tenant selection; (2) preparation and reoccupation of vacant units; (3) rent determinations; (4) site inspections; (5) payroll, travel, and fringe benefits; (6) inventory controls over property and equipment; (7) contract procurement; and (8) level of need for operating subsidies and operating reserves. In addition, we reviewed the Authority's progress in addressing the conditions noted in our prior audit report (No. 2006-0593-3A); conducted a review of federal stimulus funds received and expended by the Authority; and evaluated compliance with laws, rules, and regulations applicable to the American Recovery and Reinvestment Act (ARRA). During our audit period, the Authority was awarded a \$90,000 ARRA grant from the U.S. Department of Energy to install more efficient boilers in nine Chapter 705 scattered-site family housing locations. The Authority received and expended the entire grant amount.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To achieve our audit objectives, we gained an understanding of and tested the relevant internal controls for tenant selection, vacancies, annual rent determinations, property maintenance, administrative expenses, property and equipment, contract procurement, and reserve balances, as well as a federally funded ARRA contract. Any deficiencies in internal control are identified in the attached audit findings. We also reviewed the following:

- Tenant-selection procedures to verify that tenants were selected in accordance with Department of Housing and Community Development (DHCD) regulations.
- Vacancy records to determine whether the Authority adhered to DHCD procedures for preparing and filling vacant housing units.

- Annual rent-determination procedures to verify that rents were calculated properly and in accordance with DHCD regulations.
- Site-inspection procedures and records to verify compliance with DHCD inspection requirements and determine whether selected housing units were in safe and sanitary condition.
- Procedures for making payments to employees for salaries, travel, and fringe benefits to verify compliance with established rules and regulations.
- Property and equipment inventory-control procedures to determine whether the Authority properly protected and maintained its resources in compliance with DHCD regulations.
- Contract procurement procedures and records to verify compliance with public bidding laws and DHCD requirements for awarding contracts.
- Operating reserve accounts to verify that the Authority's reserves fell within DHCD provisions for maximum and minimum allowable amounts and to verify the level of need for operating subsidies to determine whether the amount earned was consistent with the amount received from DHCD.
- ARRA funding information to verify that funds were received and disbursed in accordance with applicable laws, rules, and regulations and to determine the existence of any excess funds and the number of jobs created.

When performing our audit, we relied on hardcopy source documents and therefore did not consider the reliability of the Authority's information system controls. We also examined judgmentally selected samples of transactions that we believed were representative of the populations being tested; however, the results of this testing were not significant to our audit findings.

AUDIT FINDINGS

1. PRIOR AUDIT FINDINGS RESOLVED

Our prior audit (No. 2006-0593-3A) of the Adams Housing Authority, which covered the period July 1, 2003 through June 30, 2005, noted deficiencies in (a) annual unit inspections and (b) operating subsidy records. Our current audit revealed that the Authority had adequately resolved these prior issues, as discussed below.

a. Annual Unit Inspections Conducted

Our prior audit found that the Authority did not conduct required annual unit inspections of its Chapter 667 elderly dwelling units and a Chapter 705 family apartment for over two years. The Executive Director explained that he alone conducts the inspections and that, in the case of the Chapter 705 unit, the missed inspections were an oversight. The prior audit recommended that the Authority develop better procedures to ensure that all units are annually inspected.

The Department of Housing and Community Development's (DHCD's) Property Maintenance Guide, Chapter 3(F), requires that local housing authorities conduct inspections of dwelling units annually and upon each vacancy to ensure that every dwelling unit conforms to minimum standards for safe, decent, and sanitary housing as set forth in 105 Code of Massachusetts Regulations (CMR) 410, Minimum Standard of Fitness for Human Habitation (also known as Chapter II of the State Sanitary Code).

Our current audit determined that the Authority inspected all Chapter 667 units and Chapter 705 units within the last calendar year in accordance with DHCD regulations.

b. Earned, Received, and Outstanding Operating Subsidies Properly Recorded

Our prior audit noted that the Authority's operating subsidy records did not agree with DHCD records. We recommended that the Authority communicate with DHCD to determine the correct operating subsidy amount and ensure that this amount is properly recorded in both DHCD's and the Authority's financial statements.

Our current audit of the Authority's operating subsidy records found that the discrepancy we had noted was resolved. We compared DHCD operating subsidies from the DHCD Accounts Reconciliation report to the Authority's general ledger. As of the end of fiscal year 2011, both

the DHCD report and the Authority's financial records agreed that because of past overpayments, the Authority owes DHCD \$25,663.

2. PRIOR AUDIT FINDINGS PARTIALLY RESOLVED

Our prior audit also revealed issues involving (a) noncompliance with the State Sanitary Code and (b) vacant unit reoccupancy. Our current audit indicated that these prior issues had been partially resolved, as discussed below.

a. Noncompliance with State Sanitary Code

Our prior audit found that the Authority was in noncompliance with Chapter II of the State Sanitary Code. Specifically, the audit found 31 instances of noncompliance at 11 housing units, including broken baseboards, clogged washing-machine drains, damaged vinyl siding, unsecured and inefficient windows, and cracked sidewalks. (Appendix I of this report summarizes the 31 State Sanitary Code violations disclosed during our prior audit.) The prior audit recommended that the Authority apply for funding from DHCD to address these problems.

The Massachusetts Department of Public Health establishes regulations detailing the standards that must be maintained by the occupants and owners of housing. These regulations protect the health, safety, and well-being of Massachusetts citizens and are found in Chapter II of the State Sanitary Code (105 CMR 410), titled Minimum Standards of Fitness for Human Habitation. The standards apply to every owner-occupied or rented dwelling, mobile dwelling unit, or rooming house unit in Massachusetts that is used for living, sleeping, cooking, and eating.

During our follow-up audit, we reinspected each of the six units and found that the Authority's maintenance staff had corrected 18 (58%) of the 31 deficiencies previously noted. However, some of the deficiencies our prior audit noted, including the roof condition at Columbia Valley (Chapter 667) and the many issues at 221 East Road (Chapter 705), still exist. At the former property, the roof is buckling and leaking in several places. At the latter, 221 East Road, none of the 11 issues noted in the prior audit have been addressed. Authority management said this property was not repaired because it was taken off line or out of service by DHCD in 2002. The Authority's management, including both the Executive Director and the Commissioners, are aware of the deficiencies but stated that the Authority's operating reserves were insufficient to fund the necessary repairs.

Although the 221 East Road property was taken off line, the Authority continues to incur expenses associated with this property, including lawn maintenance and Payments in Lieu of Taxes (PILOT) to the Town of Adams, which totaled \$3,523 during the audit period. Moreover, the Executive Director estimated that the Authority lost the opportunity to earn \$58,110 in rental income from this property during this time.

Recommendation

The Authority should work with DHCD to obtain funds to repair the roof at Columbia Valley. Also, the Authority and DHCD should find a solution either to rehabilitate 221 East Road or to dispose of it. If they decide on the latter, then DHCD should work with the Authority to obtain replacement units to house needy families in this northern Berkshire County community.

Auditee's Response

The Adams Housing Authority (AHA) currently has the re-roofing of Columbia Valley under contract utilizing a grant of capital improvement formula funding from the Commonwealth of Massachusetts Department of Housing and Community Development (DHCD).

The AHA Board of Commissioners has gone on record as advocating the demolition of the 221 East Road property. DHCD has in its possession a structural report stamped by a Massachusetts Registered Engineer stating that the structure cannot be safely occupied in the current condition. It is the understanding of the AHA that the status of the 221 East Road property is currently being discussed by DHCD senior management. The AHA Board has further stated on record that it supports the requirement that the two units be replaced as required by Massachusetts General Law. The AHA remains unable to address the demolition and replacement costs with its current operating reserves.

b. Vacant Units Not Reoccupied within DHCD Guidelines

Our prior audit found that the Authority's average turnaround time for reoccupying vacant units was 41 days and noted there were mitigating circumstances that caused this delay, including five units taken off line by DHCD. DHCD's Property Maintenance Guide indicates that housing authorities should reoccupy units within 21 working days of their being vacated by a tenant. Our follow-up audit of Authority vacancies showed that the Authority made improvements in its vacancy turnaround, including putting three of the five formerly offline units back on line. However, the current audit disclosed that the Authority's average turnaround time for reoccupying vacant units had since increased to 47 days, resulting in a lost opportunity to earn \$9,428 in potential rental income during the audit period. Included in this total is one unit at

Columbia Valley (Chapter 667) that was vacant for 11 months, causing the Authority to lose approximately \$2,333 in potential rental income.

Recommendation

The Authority should continue to develop a preventive maintenance policy that requires it to conduct, at a minimum, annual inspections of its units. In addition, the Authority should generate work orders as it deems them necessary to ensure proper maintenance of each inspected unit. Moreover, the Authority should prioritize the implementation of procedures, including increasing the number of applicants on its waiting list, to ensure that all vacant units are reoccupied within DHCD's 21-day timeframe to provide housing to eligible applicants in a timely manner and to earn much-needed revenue.

Auditee's Response

The AHA has a policy to inspect all units during any maintenance call and on a yearly basis.

The AHA continues to work to minimize unit turnover times. It is difficult to generalize about specific impediments to unit turnover. The following remain as consistent issues:

- 1. All applicants are allowed to meet the obligations of a current lease rather than being made ineligible due to inability to immediately occupy an available unit. Allowing a willing potential tenant to give a thirty-day notice many times creates a rent-up time frame outside the optimal. This is many times the case when there is only one vacant unit available.*
- 2. Long term occupancy will, many times, require extra-ordinary rehabilitation to return the unit to a re-rentable condition. In many cases where there are more than one vacant unit, the AHA must make triage decisions to turn over the less severely damaged units first and the more severely damaged units are addressed later. This decision making has created some longer term vacancies such as the eleven month reoccupancy.*
- 3. The AHA has, at times during the audit period, exhausted its waiting list. This has caused additional time to pass before finding a willing and eligible applicant.*

The AHA maintains a work order system to address day to day maintenance issues. We also use this work order system as part of our on-going inspection process. As our housing stock ages, the turn-over process continues to be problematic. The AHA, with the exception of ten family units completely renovated since the year 2000, has not had access to interior renovation capital funding since initial construction over forty years ago. The aging of our housing stock has a direct impact on the turnover time taken given the limited manpower and financial resources that the AHA has to address the unit condition.

3. NO STATE APPOINTEE SERVES ON THE AUTHORITY'S BOARD OF COMMISSIONERS

The Authority has operated without one of five board members for nearly 10 years (since September 2002). This member is appointed by DHCD and is known as the state appointee. Chapter 121B, Section 5, of the Massachusetts General Laws establishes the membership of local housing authority's boards of commissioners. Because Adams has a town form of government, Section 5 requires that, for a municipality with a town form of government, four of the board members be elected and one member be appointed by DHCD. The Executive Director has periodically notified DHCD about the state appointee status, but a member has not yet been appointed.

Our review of the board's meeting minutes for the audit period revealed that three meetings were not held because of the absence of a quorum. Failure to make a quorum is less likely when a board has a full complement of members.

Recommendation

The Authority should continue to encourage DHCD to work with town and state officials to find a nominee to serve on the Board of Commissioners.

Auditee's Response

The Authority informed us that it had contacted the town's Board of Selectmen as well as its state representative and senator and had informed the Governor's appointment secretary of the vacancy.

4. THE TOWN OF ADAMS OVERCHARGED THE AUTHORITY \$9,611 FOR PAYMENTS IN LIEU OF TAXES

Chapter 121B, Section 16, of the General Laws exempts local housing authorities from paying property taxes, except for family housing units (Chapter 705-1 or Chapter 200) and properties for the developmentally disabled (Chapter 689), for which the Authority may make, and has been required by the Town to make, PILOT payments. In calculating the Authority's PILOT payments for these properties, the Town correctly, in accordance with Chapter 121B, uses the "bedroom formula" (one-half the full residential tax rate plus \$100 per bedroom) to compute the PILOT payments for the 705-2 and 689 properties; but it uses a different formula, called the full residential rate, to compute the PILOT payments for the Authority's 705-1 scattered-site family units. This has resulted in a \$9,611 overcharge to the Authority for these payments during fiscal years 2010 through 2012 (see Appendix II). Town officials told us that they used the full residential rate formula because

this has been the method used by the Town for many years to calculate the PILOT payments for these properties.

Recommendation

The Authority should work with the Town of Adams to ensure that the Authority's PILOT payments are correctly calculated. Further, the Town should reimburse the Authority for the amount it overcharged for PILOT payments during our audit period, which we calculate to be \$9,611.

Auditee's Response

The AHA has been in contact with the Town of Adams assessor. The payment in lieu of taxes agreement in place for the AHA 705-1 family units predates the "bedroom formula." The changes proposed will require the assent of both the Town and the AHA. The AHA has requested an advisory opinion from DHCD.

5. TIME AND ATTENDANCE DOCUMENTATION NEEDS IMPROVEMENT

According to the DHCD Accounting Manual, "Formal attendance reports will be necessary to provide information for the preparation of payroll...." At most housing authorities, timesheets are used as part of the formal attendance reporting process to document specific hours worked and are signed by both the employee and the supervisor in order to fully support wage payments. If employees do not document specific hours worked, there is no way to ensure that they are working all the hours for which they are paid.

Under the Authority's current practices, its three employees¹ do not complete timesheets; for any given work day, they keep a record showing their work status (either time worked or approved leave time) but do not record specific hours worked (i.e., time in, time out). Payroll is then approved by the Executive Director and ultimately the Authority's board.

When we asked the reason for the lack of hourly attendance records, Authority officials stated that they believed that the attendance system in place was sufficient to document payroll, especially considering the small size of the Authority. However, after we finished our audit fieldwork, Authority officials provided us with timesheets and indicated that it had implemented a timesheet system for employees to track specific hours worked.

¹ Two employees are full-time hourly employees, and one employee (the Executive Director) is a full-time salaried employee.

Recommendation

The Authority should continue to use its timesheet system to track the hours worked by its employees. This process should involve requiring employee and supervisor signoff of timesheets in order to fully support payroll expenditures.

Auditee's Response

The Adams Housing Authority maintained a time-clock for twenty years. Time cards for the audit period were made available for inspection. During the audit visit it was noted that the time stamp was fading. A signed timesheet system was implemented per recommendations by the auditor.

Auditor's Reply

While conducting our audit testing, we asked for all time and attendance information to support payroll expenditures and we were not provided with timecard information, but rather, as noted above, provided with summary attendance calendar information that only showed days worked or leave time taken. However, based on its response, the Authority has taken measures to address our concerns on this matter.

6. MANAGEMENT PLAN SHOULD BE UPDATED

Massachusetts housing authorities that are funded by DHCD are required by the terms of their Contracts for Financial Assistance to have a Management Plan. The Plan should include, among other items, references to policies for personnel, human resources, tenant services, and maintenance. Prudent business practice dictates that if such a Plan is to be prepared, it should be updated to account for changes in operating conditions.

Although the Authority's Management Plan is periodically updated and the Authority follows DHCD's management guidelines, its own Management Plan should be reviewed and updated for certain items. For example, we noted that items such as travel policy updates and cell-phone policy updates were not included. Regular documented updates are important in order to reflect changes in the Authority's policies, procedures, and scope of operations, and a documented Management Plan makes it possible for the Authority to follow consistent procedures even if it experiences changes in personnel or management. Moreover, an updated and complete Management Plan establishes the procedures by which the Authority operates to ensure compliance with DHCD's internal control requirements.

Recommendation

The Authority's Management Plan should be routinely updated and should include all applicable and current Authority and DHCD policies and procedures.

Auditee's Response

The Management Plan has been updated on an ongoing basis. The Authority adheres to all required policies and Commonwealth regulations and maintains such in its plan. The audit discussion spoke to expanding on the detail encompassed in the plan. This recommendation continues to be addressed.

Auditor's Reply

We restate the need to review current DHCD policies and procedures to ensure that the Management Plan provides coverage of current requirements.

7. CELL-PHONE POLICY NEEDS TO BE IMPLEMENTED

DHCD budget guidelines from 2005 and 2006 require housing authorities to adopt a policy on cell phones that includes a board vote on approving who has cell phones; use of phones for work-related purposes only; and employees signing each month's bill and indicating that either no personal charges were made or the employee has reimbursed the Authority for all personal charges. According to DHCD instructions, requirements from budget guidelines are in effect unless specifically noted otherwise.

During our audit period, the Authority received two donated cell phones for use by its Executive Director and maintenance staff person (used primarily as a "walkie-talkie" for the two to communicate with each other), but it did not adopt a DHCD-compliant policy on their use. The Authority is responsible for the monthly bill of \$23 per phone.

Without an established policy for the use of agency cell phones, the Authority risks paying for the personal use of cell phones by its employees. It should be noted, however, that based on our review of a judgmental sample of four monthly cell-phone bills, we saw no unreasonable use.

Authority officials told us that they were not aware of DHCD budget guidelines for the use of cell phones. However, after we finished our audit fieldwork, the Authority provided us with a copy of a vote conducted by its board that indicated that the board had approved the adoption of a policy on cell-phone use.

Recommendation

The Authority should take measures to fully implement the cell-phone policy approved by its board and ensure that this policy is consistent with DHCD guidelines.

Auditee's Response

The auditor pointed out that DHCD had published guidelines for cell-phone use in 2005. Upon review of the DHCD guidelines the Authority promptly implemented corrective action and adopted the DHCD guidelines as policy.

Auditor's Reply

Based on its response, the Authority has taken measures to address our concerns on this matter.

8. INTERNAL CONTROLS OVER WASHER AND DRYER INCOME COULD BE IMPROVED

According to generally accepted accounting principles, entities such as the Authority should establish and implement an adequate system of internal control within the organization to ensure that goals and objectives are met; resources are used in compliance with laws, regulations, and policies; and assets are safeguarded against waste, loss, and misuse. A fundamental element of internal control is the proper segregation of certain key duties so that one person does not have both access to assets and the responsibility for maintaining the accountability of those assets. If there is inadequate segregation of duties, employees could have opportunities to both perpetrate and to conceal errors or fraud in the normal course of their duties that could go undetected.

The collection and counting of money from the Authority's washer and dryers, which totals approximately \$250 per month, is done by one person because the Authority has a limited number of employees. The Authority has implemented a control over this income that consists of management reviewing the monthly deposits to determine whether there are any significant variations in income from this source from month to month and following up, if needed. However, given the fact that cash is an asset that is very vulnerable to misappropriation, the Authority may want to consider segregating the duties of any individuals involved in this activity.

Recommendation

The Authority should consider improving its controls over its washer and dryer income.

Auditee's Response

In April 1995 the Adams Housing Authority purchased the washer and dryers in place at the Columbia Valley Housing for the Elderly (Chapter 667 State Aided Elderly Housing). Up until the date of the purchase the State or the Authority received no income from the machine provider. The per use charge has not been changed for the tenants since 1995. The Commonwealth has received on average additional annual income of \$2400 to cover utilities thereby lowering the subsidy payments to the Authority. The Authority in an effort to create cost savings to the Commonwealth and the Authority did not replace the second office employee upon her retirement. This left the Authority with two responsible employees to manage the washer/dryer cash. During the audit visit the segregation of duties was discussed. The Authority has always had in place the procedure that removing the cash from the machines was supervised by the Director, the cash reconciled by the Housing Manager and the deposit made by the Director. Not replacing the third employee has limited the segregation of duties to this procedure. Certainly pointing out the fact that handling cash places the Authority at risk is legitimate. The Authority has investigated the use of a debit card system but found it to not to be cost effective.

Auditor's Reply

Based on its response, the Authority is aware of the need for better controls over this process. We again recommend that, if resources become available, the Authority enhance its segregation of these duties.

APPENDIX I

State Sanitary Code Noncompliance Noted in Prior Audit Report and Current Status

Columbia Valley 667-1 Development

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>	<u>Status</u>
Columbia Valley Apartments 667-1, 4 Columbia Street, Apartment, #33	Roof has visible defects including moss growing along the shingles, buckled and cracked roof shingles	105 CMR 410.500	Not resolved
	Cracks in the foundation of two buildings	105 CMR 410.500	Resolved

20 Sayles Street 705-1B Development

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>	<u>Status</u>
Unit #2 (right side)	Living room Security door – deadbolt inoperative	105 CMR 410.480	Resolved
	Kitchen – door not squared	105 CMR 410.480	Resolved
	Kitchen wall – large gap between wall and ceiling	105 CMR 410.500	Resolved
	Bathroom – space between wall and ceiling from a past leak. Tile is loose.	105 CMR 410.500	Resolved
	Bedroom – broken window	105 CMR 410.500	Resolved
	Kitchen – two cabinet drawers are inoperative	105 CMR 410.500	Resolved
	Steps – concrete steps leading to side (kitchen) door are separated from the foundation	105 CMR 410.450	Resolved
	Roof – numerous shingles are either loose or buckling	105 CMR 410.500	Resolved
	Siding – two silver dollar-sized holes are present on the back side of the house	105 CMR 410.500	Resolved

	Basement – dryer is ventilated directly into the basement, which has filled it with lint. Ventilation not directed outdoors	105 CMR 410.352	Resolved
Unit #1 (left side)	Kitchen – bucket beneath the garbage disposal filled with 4” of water	105 CMR 410.351	Resolved
	Kitchen – cabinet drawers are worn and do not fit	105 CMR 410.500	Resolved
		105 CMR 410.100	
Unit #3, (top floor)	Kitchen – cabinet drawers are worn and do not fit	105 CMR 410.500	Resolved
		105 CMR 410.100	

174 North Summer Street 705-1C Development

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>	<u>Status</u>
174 North Summer Street, Apartment #1 (bottom floor)	Living room – ceiling has loose plaster	105 CMR 410.500	Resolved
	Porch – the porch is not level	105 CMR 410.500	Resolved

221 East Road 705-1G Development

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>	<u>Status</u>
Unit #1 (Right side)	Living room – floor is in visible disrepair	105 CMR 410.500 105 CMR 410.504	Not resolved
	Kitchen – floor is in visible disrepair	105 CMR 410.500 105 CMR 410.504	Not resolved
	Walls – very strong smell of mold	105 CMR 410.500	Not resolved
	Walls – some cracking and small holes	105 CMR 410.500	Not resolved
	Kitchen sink – the surface is rough	105 CMR 410.500	Not resolved

Unit #2	Kitchen – cabinet drawers are worn and do not fit	105 CMR 410.500 105 CMR 410.100	Not resolved
	Living room – heat/smoke detector is not operational	M.G.L. c. 148, sec. 26B 105 CMR 410.482	Not resolved
	Roof – visible buckled shingles	105 CMR 410.500	Not resolved
	Living room – floor is in visible disrepair	105 CMR 410.500 105 CMR 410.504	Not resolved
	Kitchen – floor is in visible disrepair	105 CMR 410.500 105 CMR 410.504	Not resolved
	Walls – very strong smell of mold	105 CMR 410.500	Not resolved
	Living room – heat/smoke detector is not operational	M.G.L. c. 148, sec. 26B 105 CMR 410.482	Not resolved

3 ½ Grove Street 705-1E Development

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>	<u>Status</u>
Top 2 floors	Kitchen, Living Room, Bedroom floors, walls, ceilings – severely damaged by fire and water. Units are gutted.	105 CMR 410.500	Resolved
Bottom floor	Rooms are framed, drywall is ready to be installed, floor is concrete and in good condition	105 CMR 410.500	Resolved

APPENDIX II

Comparison between Property Tax Assessments Collected by Town of Adams and Payments in Lieu of Taxes (PILOT)

Fiscal Years 2010 through 2012

Fiscal Year 2010

Location	Property Tax				PILOT			
Address	Valuation	Rate	Assessment	Number of Bedrooms	1/2 Tax Rate	Addition	PILOT	Variance
19 Commercial Street	\$103,400	\$15.33	\$1,585.12	9	\$7.67	\$100	\$ 968.99	\$ 616.13
9 – 11 Hoosac Street	\$67,100	\$15.33	1,028.64	4	\$7.67	\$100	430.66	597.98
3 Grove Street	\$57,500	\$15.33	881.48	8	\$7.67	\$100	861.32	20.16
102 – 104 Columbia Street	\$63,800	\$15.33	978.05	4	\$7.67	\$100	430.66	547.39
174 N. Summer Street	\$62,100	\$15.33	951.99	3	\$7.67	\$100	323.00	628.99
221 East Road	\$72,500	\$15.33	1,111.43	6	\$7.67	\$100	645.99	465.44
20 Sayles Street	\$51,700	\$15.33	<u>792.56</u>	8	\$7.67	\$100	<u>861.32</u>	<u>(68.76)</u>
SUBTOTAL			<u>\$7,329.27</u>				<u>\$4,521.94</u>	<u>\$2,807.33</u>

Fiscal Year 2011

Location	Property Tax				PILOT			
Address	Valuation	Rate	Assessment	Number of Bedrooms	1/2 Tax Rate	Addition	PILOT	Variance
19 Commercial Street	\$103,400	\$16.00	\$1,654.40	9	\$8.00	\$100	\$ 972.00	\$ 682.40
9 – 11 Hoosac Street	\$67,100	\$16.00	1,073.60	4	\$8.00	\$100	432.00	641.60
3 Grove Street	\$57,500	\$16.00	920.00	8	\$8.00	\$100	864.00	56.00
102 – 104 Columbia Street	\$63,800	\$16.00	1,020.80	4	\$8.00	\$100	432.00	588.80
174 N. Summer Street	\$62,100	\$16.00	993.60	3	\$8.00	\$100	324.00	669.60
221 East Road	\$72,500	\$16.00	1,160.00	6	\$8.00	\$100	648.00	512.00
20 Sayles Street	\$51,700	\$16.00	<u>827.20</u>	8	\$8.00	\$100	<u>864.00</u>	<u>(36.80)</u>
SUBTOTAL			<u>\$7,649.60</u>				<u>\$4,536.00</u>	<u>\$3,113.60</u>

Fiscal Year 2012

Location Address	Property Tax			Number of Bedrooms	PILOT			Variance
	Valuation	Rate	Assessment		1/2 Tax Rate	Addition	PILOT	
19 Commercial Street	\$103,400	\$17.26	\$1,784.68	9	\$8.63	\$100	\$ 977.64	\$ 807.04
9 – 11 Hoosac Street	\$67,100	\$17.26	1,158.15	4	\$8.63	\$100	434.52	723.63
3 Grove Street	\$57,500	\$17.26	992.45	8	\$8.63	\$100	869.04	123.41
102 – 104 Columbia Street	\$63,800	\$17.26	1,101.19	4	\$8.63	\$100	434.52	666.67
174 N. Summer Street	\$62,100	\$17.26	1,071.85	3	\$8.63	\$100	325.89	745.96
221 East Road	\$72,500	\$17.26	1,251.35	6	\$8.63	\$100	651.78	599.57
20 Sayles Street	\$51,700	\$17.26	<u>892.34</u>	8	\$8.63	\$100	<u>869.04</u>	<u>23.30</u>
SUBTOTAL			<u>\$8,252.01</u>				<u>\$4,562.43</u>	<u>\$3,689.58</u>

Fiscal Year 2010 Variance	\$2,807.33
Fiscal Year 2011 Variance	3,113.60
Fiscal Year 2012 Variance	<u>3,689.58</u>
TOTAL VARIANCE (2010 – 2012)	<u>\$9,610.51</u>