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**INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
BROOKFIELD HOUSING AUTHORITY
APRIL 1, 2006 TO JUNE 30, 2008**

**OFFICIAL AUDIT
REPORT
FEBRUARY 19, 2009**

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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 Brookfield Housing Authority for the period April 1, 2006 to June 30, 2008. 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. 2006-1075-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 27-month period ended June 30, 2008, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

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PRIOR AUDIT RESULTS PARTIALLY RESOLVED

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a. Missing Rent Determination Information

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Our prior audit (No. 2006-1075-3A) of the Authority disclosed that rent determination information was missing from certain tenants' files. Our review of one tenant's file found that there were eight rent changes, of which three changes lacked supporting documentation for the tenant's income and four changes lacked the signed lease addendums required by the Department of Housing and Community Development's (DHCD) standard lease. Our follow-up review revealed that three of six changes in the tenant's rent during the 27-month audit period lacked supporting documentation for the tenant's income. However, the tenant's file did contain all necessary signed lease addendums. In response to our audit, the Authority stated that more care will be taken to obtain all social security/disability notices of income changes as well as other income information.

b. Unit Vacancies and Failure to Submit Vacancy Reports

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Our prior audit report (No. 2006-1075-3A) revealed prolonged vacancies in the Chapter 705 Family Housing Program units, which resulted in lost potential rental income, and also the Authority's failure to submit the required Quarterly Vacancy Reports to the Department of Housing and Community Development (DHCD).

Our follow-up review revealed that the unit discussed in our prior report remained vacant through December 10, 2006, resulting in potential lost rental income totaling \$9,379 (\$1,542 during the current audit period) that has been lost on this unit since it became vacant on October 31, 2001. We also noted that the DHCD-required Quarterly Vacancy Reports were still not being completed and properly filed by the Authority during the current audit period of April 1, 2006 to June 30, 2008. In response to our audit, the Authority stated that vacancy reports have been completed and filed with DHCD and that it would strive to keep these reports current. Relative to the vacant unit,

the Authority thought it was considered off-line during the complete rehabilitation process; the unit was promptly filled once all work was completed.

INTRODUCTION

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 Brookfield Housing Authority for the period April 1, 2006 to June 30, 2008. 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.

Our audit was conducted in accordance with applicable generally accepted government auditing standards for performance audits and, accordingly, included such audit tests and procedures as we considered necessary.

To achieve our audit objectives, we 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.
- Accounts receivable procedures to ensure that rent collections were timely and that uncollectible tenant accounts receivable balances were written off properly.
- Site-inspection procedures and records to verify compliance with DHCD inspection requirements and that 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.

- Cash management and investment policies and practices to verify that the Authority maximized its interest income and that its deposits were fully insured.
- DHCD-approved operating budgets for the fiscal year in comparison with actual expenditures to determine whether line-item and total amounts by housing program were within budgetary limits and whether required fiscal reports were submitted to DHCD in a complete, accurate, and timely manner.
- 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.
- Modernization awards to verify that contracts were awarded properly and that funds were received and disbursed in accordance with the contracts, and to determine the existence of any excess funds.
- The Authority's progress in addressing the issues noted in our prior audit report (No. 2006-1075-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 27-month period ended June 30, 2008, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

PRIOR AUDIT RESULTS PARTIALLY RESOLVED

a. Missing Rent Determination Information

Our prior audit (No. 2006-1075-3A) of the Brookfield Housing Authority disclosed that rent determination information was missing from certain tenants' files. Our review of one tenant's file found that three of eight rent changes lacked supporting documentation for the tenant's income. In addition, we disclosed that the same tenant's rent was based upon estimated income because the employer had not submitted necessary income verification. Without the proper supporting documentation, rent determinations cannot be verified as appropriate. 760 CMR 6.04 states, in part:

The tenant shall provide and authorize reasonable verification of information regarding income... in order to insure reliability of the information.

Additionally, our review revealed that four changes lacked the required signed lease addendums, contrary to Section IV (A) of DHCD's standard lease, which states, in part:

Each notice of a redetermined lease shall be in writing and contain the rental amount and the date when it will be effective.

During our current audit, we examined the tenant files and noted that three of the six changes in the tenant's rent lacked supporting documentation for the tenant's income, two rent reductions, and an increase in rent. However, the tenant's file did contain all necessary signed lease addendums.

The Executive Director stated that the April 2007 increase was based upon the tenant's December 2006 Social Security check amount. Without proper supporting documentation, rent re-determinations cannot be verified.

Recommendation

In order to ensure reliability and accuracy of the information contained in tenant files, the Authority should obtain current supporting documentation to verify re-determinations in rent.

Auditee's Response

The Authority's Executive Director responded, in part:

The documentation of the Social Security check for December 2006 together with my knowledge of the increase percent for the up coming year, I believed to be adequate to reach the proper rent amount for said tenant.

More care will be taken to obtain each and every current social security/disability notice of dollar change and or other income information.

In discussion of prior audit, I did not go backward to other years to try and fill in or obtain old information.

b. Unit Vacancies and Failure to Submit Vacancy Reports

Our prior audit (No. 2006-1075-3A) revealed prolonged vacancies in the Authority's Chapter 705 Family Housing Program, which resulted in lost potential rental income, and also the Authority's failure to submit the required Quarterly Vacancy Reports to DHCD.

Our follow-up review revealed that the unit discussed in our prior report remained vacant through December 10, 2006, resulting in potential lost rental income totaling \$9,379 (\$1,542 during the current audit period) that has been lost on this unit since it became vacant on October 31, 2001. We also noted that the DHCD-required Quarterly Vacancy Reports were still not being completed and properly filed by the Authority.

DHCD requests that the quarterly vacancy reports be submitted within 30 days from the end of each quarter. During our current audit, we noted that six reports were submitted after the 30-day DHCD submission period. The Authority could not provide us with the remaining three quarterly reports. The Executive Director stated that her unfamiliarity with the on-line procedures of submitting the vacancy reports delayed the submissions.

Recommendation

The Authority should strive to fill its vacant in a timely manner in order to minimize its potential loss of rental income as well as to provide needed housing to those persons on the Authority's waiting list. The Executive Director should submit the quarterly vacancy reports within DHCD's 30-day time period. The Authority should also obtain DHCD approval to take any units that need extensive rehabilitative work off line.

Auditee's Response

The Authority's Executive Director responded, in part:

I believed the issue of unit vacancies was a thing of the past – Yes the unit did not occupy exactly as I had stated at conclusion of last audit due to unfinished contract work. That unit, I thought, was considered offline during the complete rehab of unit #1. The unit was promptly filled once all work was completed.

Vacancy reports are completed and filed with DHCD as of date the current audit was conducted. I will strive to keep these reports current.