



A. JOSEPH DeNUCCI
AUDITOR

The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

ONE ASHBURTON PLACE, ROOM 1819
BOSTON, MASSACHUSETTS 02108

TEL. (617) 727-6200

NO. 2009-0623-3A

INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
BROOKLINE HOUSING AUTHORITY
JULY 1, 2005 TO SEPTEMBER 30, 2008

OFFICIAL AUDIT
REPORT
JUNE 10, 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 Brookline Housing Authority for the period July 1, 2005 to September 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. We also conducted a follow-up review of the Authority's progress in addressing the issues noted in our prior audit report (No. 2006-0623-3A1).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 39-month period ended September 30, 2008, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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Our prior audit of the Authority, which covered the period July 1, 2003 to June 30, 2005, disclosed that (a) various instances of noncompliance with the State Sanitary Code existed at the Authority's state-aided housing developments, (b) vacated units were not occupied in a timely manner, (c) the Authority did not receive its earned operating subsidies in a timely manner, and (d) the Authority had available land upon which to build affordable housing units. Our follow-up review disclosed that although the Authority has taken action to remedy these issues, further improvements are needed, as discussed below.

a. Compliance with State Sanitary Code

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DHCD's Property Maintenance Guide, Chapter 3(F), requires that inspections of housing units be conducted 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 Chapter II of the State Sanitary Code. Our prior audit noted 47 instances of noncompliance with the State Sanitary Code, including broken glass windows, peeling paint on walls and ceilings, missing door knobs, obstructed entrances, mold, mildew, evidence of insect infestation, deteriorated and crumbling concrete stairways, and unsafe handrails and other health and safety hazards. Our follow-up review determined that the Authority has taken corrective action to address 30 of the prior instances of noncompliance; however, 17 issues still exist and need to be addressed (e.g., peeling paint on walls and ceilings, missing doorknobs, holes in walls caused by doorknobs, mold and mildew, trip hazards, and a broken toilet cover).

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<p>DHCD's Property Maintenance Guide indicates that housing authorities should reoccupy units within 21 working days of their being vacated by a tenant. Our prior audit found the Authority's average turnaround time for reoccupying vacant units was 56 days. Our follow-up review disclosed that although the Authority has reduced its average turnaround time for reoccupying vacant units to 53 days, it is still exceeding DHCD's 21-day limit.</p>	
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<p>Our prior audit noted that the Authority had approximately 24,867 square feet of land available for development at its High Street and Trustman Apartment complexes that would accommodate eight units earmarked for federal Section 8 single-room occupancy rentals. Our follow-up review disclosed that the High Street complex was determined to be too expensive to add additional units of any scale. The feasibility of development at the Trustman Apartment complex still remains to be determined.</p>	
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INTRODUCTION

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of State Auditor has conducted an audit of certain activities of the Brookline Housing Authority for the period July 1, 2005 to September 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.
- Procedures for making payments to vendors and other external parties 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 requirements.
- 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 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 report (No. 2006-0623-3A1).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 39-month period ended September 30, 2008, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

1. STATUS OF PRIOR AUDIT RESULTS

Our prior audit (No. 2006-0623-3A1) of the Brookline Housing Authority, which covered the period July 1, 2003 to June 30, 2005, disclosed that (a) various instances of noncompliance with the State Sanitary Code existed at the Authority's state-aided housing developments, (b) vacant units were not occupied in a timely manner, (c) the Authority did not receive its earned operating subsidies from DHCD in a timely manner, and (d) the Authority had available land upon which to build affordable housing units. Our follow-up review disclosed that although the Authority has taken action to remedy these issues, further improvements are needed, as discussed below:

a. Compliance with State Sanitary Code

DHCD's Property Maintenance Guide, Chapter 3(F), requires that inspections of dwelling units be conducted 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 Chapter II of the State Sanitary Code. Our prior audit of the Authority noted 47 instances of noncompliance with Chapter II of the State Sanitary Code, including broken windows, peeling paint on walls and ceilings, missing doorknobs, obstructed entrances, mold and mildew, insect infestation, deteriorated and crumbling concrete stairways, unsafe handrails, and other health and safety hazards. Our follow-up review determined that the Authority has taken corrective action to address 30 of the prior instances of noncompliance; however, 17 issues still exist that need to be addressed (e.g., peeling paint on walls and ceilings, missing doorknobs, holes in walls caused by doorknobs, mold and mildew, trip hazards, and a broken toilet cover). (The Appendix of this report summarizes the status of the conditions noted in our prior audit.)

Auditee's Response

In response to this issue, the Authority's Executive Director stated, in part:

The BHA has made progress in addressing several critical items. The incomplete items are low priority: hole in wall from door handle, missing door (at tenant request), trip hazards of cable and telephone wire (resident installed), peeling paint in apartments and common areas. Over the past 2 years, BHA has systematically re-painted 20 of 116 hallways with another 20 scheduled for 2009 through use of CDBG funds. Brookline

Housing Authority has participated in a Subsidy Needs Committee with DHCD, Administration and Finance, Public and Private property owners, and industry consultants to determine needs of state operating subsidy. The [Committee] report agrees subsidy needs to be \$120 million (in 2004 dollars). Presently subsidy is \$66.5 million dollars. Being funded over decades at 50%, we have struggled to maintain high occupancy standards.

b. Occupancy of Vacant Units

DHCD's Property Maintenance Guide indicates that housing authorities should reoccupy units within 21 working days of their being vacated by a tenant. Our prior audit found that the Authority's average turnaround time for reoccupying vacant units was 56 days. Our follow-up review disclosed that the Authority has decreased its average turnaround time for reoccupying vacant units to 53 days. The reductions indicate that the Authority has made some progress that will result in applicants being housed in a timelier manner.

Auditee's Response

In response to this issue, the Authority's Executive Director stated, in part:

... resources are not available for rapid turnaround and re-occupancy. Several units ... 60 years of age [and] some units vacated with damage or abuse...require extensive work. BHA systematically works diligently for re-occupancy. BHA prepares per DHCD request [a report] on all vacancies over 60 days with explanation for delay. Loss of subsidy can result on units vacant over 60 days. BHA has never been penalized for delay. Several issues make re-occupancy difficult. Maintenance workloads account for minimal delay; written notice, [to applicants on] cumbersome wait list of all unit offers is required by regulation (BHA uses telephone and emails to speed up the process); units not being accepted because of [applicant] not wanting to have children change schools mid year; requirement to provide landlord 30 day notice; [and] inability to make dual monthly payments to BHA and existing landlord. Lastly, there is no requirement of a 21 day limit...There is no statute, requirement in a CFA [Contract for Financial Assistance], regulation, or policy on this issue the source is a best practice guidebook that has not been blessed by DHCD as a requirement.

c. Status of Operating Subsidies Earned, Received, and Outstanding

Our prior audit noted that the Authority's operating subsidy account balance indicated that \$427,445 was due the Authority from DHCD and that DHCD did not provide the Authority with timely payments of its operating subsidies. We noted that the Authority received a partial payment of \$300,000 from DHCD on August 27, 2005, nearly five months after the close of its fiscal year, and the remaining balance of \$127,445 was received several months later. Our follow-up review disclosed that the Authority is now receiving its earned operating subsidies in a timely manner.

d. Availability of Land to Build Affordable Housing Units

Our prior audit found that the Authority had approximately 24,867 square feet of land available for development at its High Street and Trustman Apartment complexes that would accommodate eight units earmarked for federal Section 8 single-room occupancy rentals. Our follow-up review disclosed that Peter Smith Associates conducted a consulting evaluation of the two complexes for the potential of adding additional units, which concluded that it would be too expensive to add additional units of any scale to the High Street complex. The feasibility of adding additional units at the Trustman Apartment complex still remains to be determined.

Recommendation

The Authority should, in concert with Peter Smith Associates, determine the feasibility of constructing new units at the Trustman Apartment complex.

2. CURRENT AUDIT RESULTS**a. Furniture and Equipment Inventory not Maintained**

DHCD's Accounting Manual for State-aided Housing Programs Section 15, indicates that "a formal system for the inventory of furniture and equipment be established by program by all LHAs [local housing authorities]" and that "a physical inventory of all Furniture and Non-expendable Equipment must be taken and an inventory list maintained each year." Our current audit found that the Authority did not maintain a complete, up-to-date inventory listing of its furniture and non-expendable equipment and did not take an annual physical inventory during the audit period. The Authority indicated that it has been constrained from maintaining an inventory listing and taking annual inventories due to a lack of time and manpower. However, without an inventory system, there is no assurance that the Authority's assets are adequately safeguarded against possible loss, theft, or misuse.

b. Development Grant Funds Balance Due the Authority not Received

Our current audit found that DHCD has not remitted to the Authority funds totaling \$61,095 pertaining to its 667-3 development grant that was completed in 2002. A Certificate of Final Completion was issued January 9, 2002, but DHCD has not yet issued a closeout

letter or remitted the balance of funds due the Authority. The Authority needs these funds to bolster its diminishing operating reserves.

Recommendation

The Authority should establish a furniture and equipment inventory system to comply with DHCD's requirements and should request that DHCD issue a development grant closeout letter, and remit excess funds totaling \$61,095 due the Authority.

Auditee's Response

In response to these issues the Authority's Executive Director stated, in part:

The Authority could not provide copies of inventory completed in summer 2008... Perhaps [because of] too many hands between the inventory taker, the computer staff person, [and the] computer consultant [the] files disappeared. BHA will undertake audit in summer of 2009.

[The development grant issue] is an old issue that inflates BHA assets and balance sheet.

APPENDIX

Current Status of Noncompliance With State Sanitary Code

High St. Vets 200-1 Development

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>	<u>Resolved – Yes or No</u>
176 High Street, Apt. #1	Floor in disrepair – bedroom #1 needs new tiles	105 CMR 410.504	Yes
	Common area – paint peeling on wall	105 CMR 410.500	No
	Bathroom – broken window	105 CMR 410.500	Yes
	Bathroom – cracks in ceiling	105 CMR 410.500	Yes
	Common area – paint peeling on ceiling	105 CMR 410.500	No
180 High Street, Apt. #6	Common area – paint peeling on wall	105 CMR 410.500	No
	Bedroom #1 – paint peeling on wall under window	105 CMR 410.500	Yes
186 High Street, Apt. # 2	Bedroom #1 – door missing door knob	105 CMR 410.480	No
	Kitchen needs painting	105 CMR 410.500	No
	Bathroom – paint peeling on wall	105 CMR 410.500	No
	Bedroom #2 – paint peeling on wall	105 CMR 410.500	No
	Bathroom – toilet cover broken	105 CMR 410.150	No
210 High Street, Apt. #6	Entrance obstruction (numerous shoes and a bookcase)	105 CMR 410.451	Yes
	Bedroom #1 – too much clutter	105 CMR 410.500	Yes

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>	<u>Resolved – Yes or No</u>
216 High Street, Apt. #3	Bedroom #2 – too much clutter	105 CMR 410.500	Yes
	Bedroom #1 – cracks in wall under window	105 CMR 410.500	Yes
	Bedroom #2 – cracks in wall under window	105 CMR 410.500	Yes
	Bathroom – mildew and paint peeling on ceiling	105 CMR 410.500	Yes
	Kitchen – paint peeling on ceiling	105 CMR 410.500	Yes
	Bedroom #2 – spot peeling on ceiling	105 CMR 410.500	Yes
	Clutter at entrance door	105 CMR 410.451	Yes
220 High Street, Apt. #4	Bathroom and common area – tiles on floor not even or lined up	105 CMR 410.504	Yes
	Living/dining room to bedroom #1 – cable wire trip hazard	105 CMR 410.504	No
	Bathroom – mold on wall	105 CMR 410.750	No
	Bedroom #3 – phone line trip hazard	105 CMR 410.504	No
	Bedrooms #3, #2, and #1 – cable wire trip hazard	105 CMR 410.504	No
	Bathroom – tub shower wall detached	105 CMR 410.150	Yes
	Kitchen light missing cover	105 CMR 410.251	Yes
	Bathroom ceiling – peeling and mildew	105 CMR 410.500	Yes

Egmont St. Vets 200-2 Development

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>	<u>Resolved – Yes or No</u>
55 Egmont Street, Apt. #6	Bedroom #2, door missing door knob	105 CMR 410.480	No
	Bedroom #3, paint peeling on ceiling	105CMR 410.500	No
73 Egmont Street, Apt. #6	Kitchen - door obstructed by refrigerator	105 CMR 410.451	Yes
	Kitchen – paint peeling on wall	105 CMR 410.500	Yes
	Bathroom – paint peeling on wall	105 CMR 410.500	Yes
	Bedroom #1 – hole in wall caused by door knob	105 CMR 410.500	No
	Kitchen – paint peeling on ceiling	105 CMR 410.500	Yes
	Bathroom – paint peeling on ceiling	105 CMR 410.500	Yes
	Bedroom #2 and #3 – obstruction of passage way	105 CMR 410.451	Yes
85 Egmont Street, Apt. #4	Bedroom #2 – hole in wall caused by door knob	105 CMR 410.500	No

Trustman Apartments 705-1 Development

7 Egmont Street, Apt. #8	Kitchen – cockroaches under sink	105 CMR 410. 550	Yes
150 Amory Street, Apt. #5	Living/Dining room – window broken	105 CMR 410.500	Yes

Colonel Floyd 667-1 Development

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>	<u>Resolved – Yes or No</u>
32 Foster Street, Apt. #4	Between Living/Dining room and Bedroom #1 – no door	105 CMR 410.480	No (Note: The tenant does not want a door.)
32 Marion Street, Apt. #3	Patio on 2nd floor – cement is cracking	105 CMR 410.500	Yes
Near dumpster on Marion Street	Stairway- guard rail is coming loose from concrete stairs that are cracking	105 CMR 410.500	Yes
28 Foster Street, 1st floor, rear	Stairway – cement is cracking	105 CMR 410.500	Yes
28 Foster Street, 1st floor, rear	Patio – paint is peeling	105 CMR 410.500	Yes
34 Foster Street, near the road	Stairway – guard rail is coming loose from concrete stairs that are cracking	105 CMR 410.500	Yes