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

OFFICIAL AUDIT
REPORT
JANUARY 13, 2009

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In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain activities of the Burlington Housing Authority for the period January 1, 2006 to April 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. 2006-0625-3A).

Based on our review, we have concluded that, except for the issues discussed in the Audit Results section of this report, during the 28-month period ended April 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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1. STATUS OF PRIOR AUDIT RESULTS

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Our prior audit (No. 2006-0625-3A) of the Authority, which covered the period July 1, 2003 to June 30, 2005, disclosed several instances of noncompliance with Chapter II of the State Sanitary Code and the Department of Housing and Community Development's (DHCD) Property Maintenance Guide. Specifically, our previous audit disclosed that a) instances of noncompliance with the State Sanitary Code existed at the Authority's state-aided housing developments, b) vacant units were not reoccupied within DHCD's guidelines, and c) the Authority had approximately 13 acres of undeveloped land on which it could build additional affordable housing units. Our follow-up audit disclosed that the Authority has initiated action to address the prior audit results, 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 of the Authority found 22 instances of noncompliance with Chapter II of the State Sanitary Code. Our follow-up review determined that the Authority has corrected 15 of the 22 instances of noncompliance, and is in the process of correcting the remaining instances of noncompliance.

b. Occupancy of Vacant Units

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Our prior audit found that the Authority's average turnaround time for reoccupying vacant units was 63 days. Our follow-up review disclosed that the Authority has reduced its average turnaround time for reoccupying vacant units to 17 days. The reduction in turnaround time will result in applicants being housed in a timelier manner.

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| c. Availability of Land to Build Affordable Housing Units | 4 |
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Our prior audit found that the Authority had 13 acres of undeveloped land at 31-59 Adams Street on which it could build additional affordable housing units. Our current audit disclosed that the Authority has received a development proposal and the Board of Commissioners has approved appraisal of the parcel.

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| 2. CREDIT CARD EXPENDITURES NOT ADEQUATELY SUPPORTED | 4 |
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During our audit we found that the Authority lacked sufficient controls over expenditures made with the Authority's credit card. We found that certain expenditures were not adequately supported with the proper documentation. Specifically, of nine individual credit card expenditures tested, only one had proper supporting documentation (i.e., store receipts or invoices) and eight were missing supporting documentation either partially or completely. Of the \$7,612 credit card expenditures that were allocated to the State Consolidated Program, \$6,394 (84%) was not adequately supported.

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INTRODUCTION

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain activities of the Burlington Housing Authority for the period January 1, 2006 to April 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 tenants' 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 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's 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. 2006-0625-3A).

Based on our review, we have concluded that, except for the issues discussed in the Audit Results section of this report, during the 28-month period ended April 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. 2006-0625-3A) of the Burlington Housing Authority, which covered the period July 1, 2003 to June 30, 2005, disclosed several instances of noncompliance with Chapter II of the State Sanitary Code and the Department of Housing and Community Development's (DHCD) Property Maintenance Guide. Specifically, our previous audit disclosed that a) instances of noncompliance with the State Sanitary Code existed at the Authority's state-aided housing developments, b) vacant units were not reoccupied within DHCD guidelines, and c) the Authority had approximately 13 acres of undeveloped land on which it could build additional affordable housing units. Our follow-up review disclosed that the Authority has initiated action to address the audit results, as described below.

a. Compliance with State Sanitary Code

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 of the Authority noted 22 instances of noncompliance with Chapter II of the State Sanitary Code. Our follow-up review determined that the Authority has corrected 15 of the 22 instances of noncompliance. The Authority has requested and is awaiting funding from DHCD to address two of the remaining instances of noncompliance, and funding cannot be requested for a third until after DHCD has acted on the previous request. Two other instances of noncompliance are due for repair in the fall or winter of 2008, and the Board of Commissioners is discussing ways to address the remaining instance of noncompliance. The Appendix of this report summarizes the current status of the conditions noted in our prior audit.

b. Occupancy of Vacant Units

DHCD's Property Maintenance Guide states 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 63 days. Our follow-up review disclosed that the Authority has decreased its average turnaround time for reoccupying

vacant units to 17 working days. The reduction in turnaround time will result in applicants being housed in a timelier manner.

c. Availability of Land to Build Affordable Housing Units

Our prior audit reported that the Authority had 13 acres of undeveloped land at 31-59 Adams Street on which it could build additional affordable housing units. Our follow-up review disclosed that the Authority is actively seeking ways to utilize the land and has received a development proposal that will assist in analyzing the feasibility of developing the parcel. Furthermore, the Authority's Board of Commissioners has voted to approve an appraisal of the 13-acre parcel.

2. CREDIT CARD EXPENDITURES NOT ADEQUATELY SUPPORTED

During our audit we found that the Authority lacked sufficient controls over credit card expenditures. We found that certain expenditures were not adequately supported with the proper documentation. Specifically, of nine individual credit card expenditures tested, only one had proper supporting documentation (i.e., store receipts or invoices) and eight were missing supporting documentation either partially or completely. Of the \$7,612 in credit card expenditures that were allocated to the State Consolidated Program, \$6,394 (84%) was not adequately supported. DHCD's Accounting Manual for State-aided Housing Programs, Section 8, states: "When checks are submitted for signature, a voucher along with supporting documents should be presented." The Authority believes that monthly credit card statements alone are adequate documentation for credit card expenditures. However, our review revealed that the monthly statements alone did not provide sufficient evidence to ensure that expenditures are proper or are allocated to the correct Authority program.

Recommendation

The Authority should improve its internal controls over credit card expenditures by requiring that supporting documentation (i.e., store receipts or invoices) be submitted for all purchases or services paid by credit card, and attaching supporting documentation to the monthly credit card statement along with the check voucher.

Auditee Response

The Authority chose not to respond to this audit report.

APPENDIX

Current Status of Noncompliance with State Sanitary Code

667-1 Elderly Housing

| <u>Location</u> | <u>Noncompliance</u> | <u>Regulation</u> | <u>Resolved</u> |
|--|---|------------------------------------|--|
| 15 Birchcrest Street, Building | Common area – cracks in foundation walls | 105 CMR 410.500 | Yes |
| | – cracks in stairwells | 105 CMR 410.500 | No-scheduled for repair in Fall/Winter 2008 by BHA |
| | - cracked floor tiles | 105 CMR 410.504 | Yes |
| | - water damage on ceiling | 105 CMR 410.500 | No-scheduled for repair in Fall/Winter 2008 by BHA |
| | Building exterior - skylight and trapdoor to roof are broken | 105 CMR 410.500 | Yes |
| | - shingles are falling and missing from roof, safety hazard | 105 CMR 410.500 105 CMR 410.750 | No-request for funding sent to DHCD on 5/1/08, awaiting approval |
| | - soffit boxes are broken in places, need replacement | 105 CMR 410.500 | No-request for funding sent to DHCD on 5/1/08, awaiting approval |
| Outside area – curbing at front sidewalk is crumbling, needs replacement | 105 CMR 410.750 | Yes | |
| 15 Birchcrest Street, Unit #205 | Living room – ceiling is cracked | 105 CMR 410.500 | Yes |
| | Bedroom – water damage on ceiling | 105 CMR 410.500 | Yes |
| 14A Birchcrest Street, Building | Building exterior – front stairs are crumbling, needs repair | 105 CMR 410.750 | Yes |
| 14C Birchcrest Street, Building | Outside area – driveway retaining wall is deteriorating, needs extensive repair | 105 CMR 410.750 | Yes |
| 14E Birchcrest Street, Building | Entrance – security door does not close properly | 105 CMR 410.480 | Yes |
| | Building exterior - paint is peeling on siding | 105 CMR 410.500 | No-presently under discussion by the Board of Commissioners |

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Current Status of Noncompliance with State Sanitary Code

667-1 Elderly Housing

| <u>Location</u> | <u>Noncompliance</u> | <u>Regulation</u> | <u>Resolved</u> |
|-----------------|---|-------------------|--|
| | Outside area – sinkholes are forming on sidewalks | 105 CMR 410.750 | No-postponed request for funding until the previous request dated 5/1/08 has been acted upon |

705 Family Housing

| <u>Location</u> | <u>Noncompliance</u> | <u>Regulation</u> | <u>Resolved</u> |
|-----------------|--|-------------------|-----------------|
| 12 Nelson Road | Bathroom – wall needs repair | 105 CMR 410.500 | Yes |
| | Hallway – cover is missing on smoke detector | 105 CMR 410.482 | Yes |
| | Bedroom – contains four beds, unit is over-crowded | 105 CMR 410.750 | Yes |
| | Cellar – flammable materials are stored near furnace | 105 CMR 410.750 | Yes |
| | Cellar – used as a bedroom | 105 CMR 410.430 | Yes |
| | Outside area – improper storage of garbage and rubbish | 105 CMR 410.600 | Yes |
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