



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

Making government work better

Official Audit Report – Issued January 10, 2017

Carver Housing Authority

For the period April 1, 2012 through March 31, 2015





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Making government work better

January 10, 2016

Mr. Kenneth Simmons, Chair
Carver Housing Authority
10 Meadowbrook Way
Carver, MA 02330

Dear Mr. Simmons:

I am pleased to provide this performance audit of the Carver Housing Authority. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, April 1, 2012 through March 31, 2015. My audit staff discussed the contents of this report with management of the agency, whose comments are reflected in this report.

I would also like to express my appreciation to the Carver Housing Authority for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMBump".

Suzanne M. Bump
Auditor of the Commonwealth

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
OVERVIEW OF AUDITED ENTITY.....	3
AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY	4
DETAILED AUDIT FINDINGS WITH AUDITEE’S RESPONSE.....	7
1. The Authority did not have adequate documentation to support \$36,729 in compensation that it provided to its acting director.....	7
2. The Authority’s board did not hold required meetings.	9
3. The Authority did not keep hardcopy waiting-list ledgers as required by DHCD regulations.....	10
4. The Authority did not perform and/or adequately document annual inspections of its housing units.....	11
5. The Authority did not reoccupy vacant units within DHCD’s timeframe.	12
6. The Authority did not properly administer its inventory process.	13

EXECUTIVE SUMMARY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted an audit of the Carver Housing Authority for the period April 1, 2012 through March 31, 2015.

In this performance audit, we reviewed and assessed selected activities of the Authority, such as certain aspects of its financial operations, tenant eligibility, applicant waiting lists, site inspections, governance issues, and compliance with applicable reporting and data-collection requirements.

Below is a summary of our findings and recommendations, with links to each page listed.

Finding 1 Page 7	The Authority did not have adequate documentation to support \$36,729 in compensation that it provided to its former executive (now acting) director.
Recommendations Page 8	The Authority's board should establish more effective controls over its administration of the compensation provided to its director. The controls should ensure the following: <ul style="list-style-type: none">a. that the time worked by the director is accurate, properly approved, and documentedb. that the director's paid-leave balance is calculated in accordance with the Authority's policies and his/her employment contract, if applicable, and is properly documented in the Authority's accounting records and independently verified before payment is made
Finding 2 Page 9	The Authority's board of commissioners did not hold 14 of 36 meetings scheduled during the audit period.
Recommendation Page 9	The board members should collaborate and only schedule monthly meetings on dates when they can confirm that a quorum will be present, so that they will not have to cancel required monthly meetings.
Finding 3 Page 10	The Authority did not maintain hardcopy waiting-list ledgers for its Chapter 705 family housing program.
Recommendation Page 10	The Authority should maintain written waiting-list ledgers.

Finding 4 Page <u>11</u>	The Authority did not perform annual unit inspections during fiscal years 2013 and 2014. For fiscal year 2015, unit site inspection forms were on file but had not been properly completed.
Recommendations Page <u>12</u>	<ol style="list-style-type: none">a. The Authority should develop policies and procedures for annual inspections of its housing units and ensure that these annual inspections are conducted.b. The Authority should make the inspection of its units a priority and have its maintenance employee dedicate sufficient time to make sure each unit is inspected annually.c. The Authority should ensure that all inspection forms are fully completed.
Finding 5 Page <u>12</u>	The Authority had seven units that remained unoccupied for periods beyond the 21-day timeframe established by the Department of Housing and Community Development. As a result, the Authority lost approximately \$3,397 of potential income.
Recommendation Page <u>12</u>	The Authority should reoccupy units within an average of 21 working days.
Finding 6 Page <u>13</u>	The Authority did not maintain a complete, up-to-date inventory list of its property and equipment.
Recommendation Page <u>14</u>	The Authority should complete its master inventory list and then conduct an inventory of its property and equipment and compare it to the current inventory list on hand. It should investigate any discrepancies and make adjustments to bring the current list up to date.

OVERVIEW OF AUDITED ENTITY

The Carver Housing Authority is authorized by, and operates under, Chapter 121B of the Massachusetts General Laws, as amended. Its administrative offices are located at 10 Meadowbrook Way in Carver. It is governed by a five-member board of commissioners; four commissioners are elected by the citizens of Carver, and one is a state appointee. During our audit period, the board employed a part-time acting director¹ to manage the Authority's day-to-day activities. The acting director is supported by a part-time clerk and a part-time maintenance employee. The Authority currently manages and oversees 20 Commonwealth-subsidized housing units for elderly tenants, 8 units for families, and 8 units for handicapped tenants.

1. The former executive director retired June 30, 2013. She continued as a consultant and was appointed as acting director on September 10, 2013.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Section 12 of Chapter 11 of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of Carver Housing Authority for the period April 1, 2012 through March 31, 2015.

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.

Below is a list of our audit objectives, indicating each question we intended our audit to answer; the conclusion we reached regarding each objective; and, if applicable, where each objective is discussed in the audit findings.

Objective	Conclusion
a. Did the Authority perform rent determinations and annual redeterminations during the audit period and correctly calculate rents in accordance with Department of Housing and Community Development (DHCD) regulations?	Yes
b. Did the Authority properly place qualified tenant applicants in the master ledger and on the program waiting list during the audit period, select qualified applicants from the waiting list, and place them in available housing?	No; see Finding <u>3</u>
c. Did the Authority's board of commissioners hold meetings monthly as required?	No; see Finding <u>2</u>
d. Did the former executive (now acting) director comply with DHCD requirements regarding payroll and documentation of time and attendance?	No; see Finding <u>1</u>
e. Was there adequate supporting documentation for the Authority's administrative expenses?	Yes
f. Was there adequate supporting documentation for the Authority's credit-card expenses?	Yes
g. Did the Authority submit its financial statements and budgets in accordance with DHCD reporting requirements?	Yes
h. Did the Authority maintain a complete and up-to-date inventory list of its property and equipment and conduct an annual physical inventory in accordance with DHCD requirements?	No; see Finding <u>6</u>

Objective	Conclusion
i. Did the Authority perform annual inspections of all units and document the inspections?	No; see Finding 4
j. Did the Authority refurbish and reoccupy vacant units in accordance with DHCD’s maintenance guideline of 21 working days?	No; see Finding 5
k. Did the Authority properly manage its rent-collection process, including reconciling its accounts-receivable balances?	Yes

To achieve our audit objectives, we gained an understanding of the internal control environment and tested the relevant internal controls for executive-director compensation, governance of the board of commissioners, tenant selection and occupancy, annual rent redeterminations, administrative expenses, accounts receivable, and property and equipment.

- For rent redeterminations, we selected a nonstatistical sample of 10 out of 84 tenant files from the audit period to verify that annual redeterminations were calculated correctly and in accordance with DHCD requirements.
- For tenant selection and occupancy, we reviewed the Authority’s master ledger and waiting-list ledgers to determine whether the Authority updated its ledgers for tenant selection and whether tenants were properly selected for occupancy in accordance with DHCD regulations. For the Chapter 667 elderly housing program, we selected 10 applicants from a population of 67. For the Chapter 705 family housing program, it was not possible to determine whether tenant applicants were selected in the correct order because the waiting-list ledger for that program had not been updated since 2002. We determined potential lost income by multiplying the number of calendar days the unit was vacant beyond DHCD’s allowance of 21 working days by a daily rate. We calculated the daily rate as the average monthly rent from the Authority’s financial statements divided by 30.
- We reviewed all of the meeting minutes of the Authority’s board of commissioners to determine whether board meetings were held in compliance with the Authority’s bylaws.
- We reviewed all of the acting director’s salary and fringe-benefit payments and verified compliance with DHCD regulations. However, we were not able to verify the accrual of benefit payments because there was no documentation to substantiate this benefit.
- We reviewed the Authority’s contract with its acting director to verify that the board of commissioners had a properly executed contract with her that complied with DHCD regulations.
- For expense testing, we selected a nonstatistical sample of 30 non-payroll administrative expenditures, totaling \$14,233, to determine whether they were Authority-related and had adequate supporting documentation. Our total population for the audit period was 1,253 expenditures, totaling \$271,298.

- For credit-card expenditures, we tested all 40 credit-card purchases from the audit period, totaling \$11,823, to determine whether they were Authority-related and had supporting documentation.
- We reviewed the Authority's submission of its fiscal year 2013, 2014, and 2015 annual budgets and financial statements to DHCD. We compared these financial statements to the Authority's general ledger to verify completeness and accuracy.
- We reviewed the Authority's property and equipment inventory to determine whether property records were up to date, an annual inventory was taken, and all property and equipment was accounted for.
- We reviewed unit site inspection procedures and records to verify compliance with DHCD inspection requirements. For our test of unit inspections for fiscal year 2015, we selected 28 of 36 units for testing. The other 8 units are leased by the Authority to other entities under its Chapter 689 program for housing for handicapped residents and are not subject to inspection by the Authority. Therefore, in our test of 28 units, we tested 100% of the units that were under the Authority's management. The Authority could not provide us with documentation of unit inspections for fiscal years 2013 and 2014.
- We reviewed the Authority's online vacancy ledger and hardcopy vacancy ledger to determine whether vacancies were properly reported to DHCD and whether vacant units were refurbished and rented in accordance with DHCD's maintenance guidelines, which recommend a turnaround time of 21 working days.
- For tenant accounts receivable, we selected 5 of 36 rental pay periods to determine whether the Authority's individual tenant records were in agreement with the amounts listed on the general ledger and financial statements.

We determined the reliability of data from the Authority's financial-reporting system by tracing certain transactions to original source documents such as invoices, accounts-payable checks, and bank statements. In addition, we compared these documents to the general ledger for accuracy. We also made relevant inquiries of management personnel responsible for the reliability of the data. We determined that the data were sufficiently reliable for the purposes of our audit report.

Whenever sampling was used, we applied a nonstatistical approach, and as a result, we were not able to project our results to the entire population.

DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

1. The Authority did not have adequate documentation to support \$36,729 in compensation that it provided to its acting director.

From April 1, 2012 through March 31, 2015, the Carver Housing Authority gave its former executive (now acting) director \$36,729 in compensation for work time and accrued leave that were not adequately documented. Consequently, there is inadequate assurance that the acting director was entitled to the entire \$36,729. Specifically, we found the following issues:

- The acting director received a cash payment of \$7,352, purportedly for accrued vacation days, just before she retired as executive director on June 30, 2013, but there was no documentation in the Authority's accounting records of her accrued vacation balances.
- From April 5, 2012 through June 27, 2013, there were 66 pay periods, and she was paid for 17.5 hours for each one, for a total of \$27,556. For 64 of those pay periods, the Authority's documentation (her timesheets) said that she had only worked 12.5 hours; for the other 2, the timesheets indicated that she had worked fewer than 12.5 hours.
- During fiscal year 2014, she received six weeks of compensation, totaling \$1,821, without timesheets to support the payments.

Authoritative Guidance

Section 15 of the Department of Housing and Community Development (DHCD) Accounting Manual states the following regarding controls over the preparation of payroll:

If the personnel policy of the . . . Authority provides the accrual of annual and sick leave for employees, a record of all leave earned and taken must be maintained for each employee.

Attendance and leave reports must be kept on all employees. These reports are to be kept on an updated basis as pay periods close.

The Authority's policies do provide for such accrual, so its director should have kept timesheets.

In addition, DHCD Public Housing Notice 2007-6 states,

Daily time sheets and attendance records for executive directors must be maintained at the [local housing authority] office for review by the Board, DHCD, and the Office of the State Auditor.

Reasons for Noncompliance

When questioned about the discrepancies between her timesheets and hours worked, the acting director stated that she is paid for 17.5 hours regardless of how much time she actually spends at the Authority, but she could not provide us with any documentation to substantiate this. She could not explain why several of her timesheets were missing. When asked to substantiate the vacation time that she was paid, she responded that this was the amount the Authority owed her.

Although the board of commissioners reviews and signs her paycheck, the Authority does not have a review process in place to ensure the accuracy of the acting director's timesheets. She processes her own timesheets, and the Authority does not have any controls in place to ensure that her accrued-leave balances are properly maintained in its accounting system and that any requests from her for payment for leave time, such as vacation time, are independently verified as accurate and appropriate before she is paid.

Recommendations

The Authority's board should establish more effective controls over its administration of the compensation provided to its acting director. The controls should ensure the following:

- a. that the time worked by the acting director is accurate, properly approved, and documented
- b. that the director's paid-leave balance is calculated in accordance with the Authority's policies and his/her employment contract, if applicable, and is properly documented in the Authority's accounting records and independently verified before payment is made

Auditee's Response

Acting Director must be available any time there is an emergency or lock-out and the maintenance man is unavailable.

The Acting Director must be in the office working 17.5 hours a week unless at a meeting, conference, training, court or at the [state-funded housing units for people with special needs].

The Carver Housing Authority will have the Acting Director until one or both parties agree to terminate as voted.

Time Sheets are kept in a binder weekly at the Authority for anyone to review.

Auditor's Reply

In its response, the Authority asserts that with few exceptions, the acting director was required to be in the office 17.5 hours a week. However, as detailed above, for 64 of the 66 pay periods reviewed, her timesheets said that she had only worked 12.5 hours, and for the other 2, the timesheets indicated that she had worked fewer than 12.5 hours. In addition, during fiscal year 2014, she received six weeks of compensation, totaling \$1,821, without any timesheets to support the payments. In its response, the Authority did not indicate what measures, if any, it was going to take to address our concerns in this area. Therefore, we again urge the Authority to implement more effective controls over its administration of the compensation provided to its acting director.

2. The Authority's board did not hold required meetings.

From April 1, 2012 through March 31, 2015, the Authority's board of commissioners did not meet for 14 of 36 scheduled monthly meetings. Missed meetings hinder the board's ability to adequately govern the Authority's financial and physical operations.

Authoritative Guidance

Section 3 of Article III of the Authority's bylaws adopted in October 1975 requires meetings at least once per calendar month.

Reasons for Noncompliance

The acting director indicated that meetings were canceled because one board member had work obligations and other board members had various conflicts that kept them from attending. Meetings were canceled when it was determined that they would not have a quorum present.

Recommendation

The board members should collaborate and only schedule monthly meetings on dates when they can confirm that a quorum will be present, so that they will not have to cancel required monthly meetings.

Auditee's Response

The Authority and the Town Clerk are working with the Governor's Office to appoint a State Appointee to the board, then we would have a five member board. The [Authority] was appointed a State Appointee in April 2014 but that Appointee only attended one meeting and resigned one month later.

The Board will meet every month on the second Wednesday of the month. If the Board finds it does not have quorum they will reschedule within the same month to comply with the By-laws.

3. The Authority did not keep hardcopy waiting-list ledgers as required by DHCD regulations.

The Authority did not maintain hardcopy waiting-list ledgers for its Chapter 705 family housing program to document the names of people who applied for housing at the Authority and the order in which they should be selected as tenants. As a result, we could not determine whether applicants were selected for housing in the proper order; applicants with the greatest need for housing may have been passed over for others who had less need.

The Authority selected tenants from its master ledger, which is the ledger that is used to record all tenant applicants regardless of what type of housing they apply for. Our review of the master ledger found that applications were on file with control numbers; however, no permanent handwritten waiting list for the Chapter 705 program was maintained.

Authoritative Guidance

Section 5.16(2) of Chapter 760 of the Code of Massachusetts Regulations states,

The [local housing authority] shall maintain permanent handwritten ledgers including a master file ledger and waiting list ledgers.

Reasons for Noncompliance

The acting director stated that it was the responsibility of a former Authority employee to maintain the waiting list for the Chapter 705 program, but did not explain why the hardcopy waiting list was not maintained after the former employee left the Authority.

Recommendation

The Authority should maintain written waiting-list ledgers.

Auditee's Response

The Carver Housing Authority has asked DHCD for a waiver to go to a computer generalized waiting list. DHCD has informed all housing that they are working on a centralized waiting list across the state. Therefore hard copies will be obsolete but until that time the Authority will maintain both hard and computerized wait list. The Authority has given the State Auditor a copy of the request for a waiver letter.

4. The Authority did not perform and/or adequately document annual inspections of its housing units.

The Authority did not perform annual unit Inspections of any of its housing units during fiscal years 2013 and 2014. It had fiscal year 2015 unit site inspection forms on file for all units, but these forms were not properly completed: they did not indicate the date of each inspection, the areas of each unit that were inspected, and the conditions noted during each inspection. Rather, a number of forms only had "OK" written on them. Others indicated that a repair or replacement of an appliance was necessary, but many had no corresponding work orders on file to indicate that the Authority was going to address these problems. As a result, there is inadequate assurance that the Authority regularly monitors its units to ensure that they conform to minimum standards for safe, decent, and sanitary housing.

Authoritative Guidance

Chapter 3 of DHCD's Property Maintenance Guide states,

To ensure comprehensive accountability and efficient maintenance work scheduling, every inspection should result in a written report that documents, by specific location, the condition of every component that you inspected. . . .

Each inspection report should have sufficient space to quickly and easily record at least the following information:

- *The exact location of the inspection*
- *The date of the inspection*
- *An assessment of the condition of each element of the apartment or other place being inspected*
- *A space to record work order numbers for identified repairs*
- *The name of the inspector*

This chapter also requires annual unit inspections:

At least once a year every [local housing authority] dwelling unit should be systematically observed by carefully oriented inspectors. In addition, every time a unit becomes vacant it should be inspected so that the necessary repairs can be made to prepare the unit for the next resident.

Reasons for Noncompliance

The Authority has not established policies and procedures for annual inspections of its housing units. Further, the Authority's acting director stated that no annual inspections were done during fiscal years

2013 and 2014 because the Authority's maintenance employee, who only works part time, focused more on completing maintenance requests from tenants and consequently did not have time to conduct the required inspections. The acting director acknowledged that the fiscal year 2015 inspection forms were incomplete but did not provide a reason.

Recommendations

1. The Authority should develop policies and procedures for annual inspections of its housing units and ensure that these annual inspections are conducted.
2. The Authority should make the inspection of its units a priority and have its maintenance employee dedicate sufficient time to make sure each unit is inspected annually.
3. The Authority should ensure that all inspection forms are fully completed.

Auditee's Response

The units were inspected and the forms that only had ok on it is because they did not generate a work order. As of this year we have created a new inspection with more detail. The Computable work inspection sheet will generate work orders for all repairs needed in each unit. Inspections are done in the months of July for the 667-1 [housing for seniors and people with disabilities] and August for the 705-1 [housing for low-income families]. Each unit is inspected at the time it becomes vacant and a work order is generated.

Auditor's Reply

Contrary to the Authority's response, it did not document that it had performed annual inspections of any of its housing units during fiscal years 2013 and 2014. Further, as noted above, the Authority had fiscal year 2015 unit site inspection forms on file for all units, but these forms were not properly completed: they did not indicate the date of each inspection, which areas of each unit were inspected, and the conditions noted during each inspection. Although the Authority indicates in its response that it has created a new inspection form with more detail, it still needs to make sure that it inspects its housing units annually as required, not just when a vacancy occurs as its response suggests. Moreover, the Authority needs to make significant improvements to its inspection process, so we again urge it to implement our recommendations.

5. The Authority did not reoccupy vacant units within DHCD's timeframe.

During our audit period, the Authority had seven units that remained vacant for periods ranging from 1 to 213 days beyond DHCD's timeframe of 21 working days. The average turnaround time for these seven

units was 43 days. As a result, the Authority lost approximately \$3,397 in potential income,² and eligible applicants in need of state-aided housing may have experienced unnecessary delays in obtaining it.

Authoritative Guidance

Chapter 1 of DHCD's Property Maintenance Guide states that DHCD "believes a reasonable outside limit for turning around vacancies is 21 working days where notice has been given."

Reasons for Noncompliance

The Authority indicated that because of staffing issues, it was not possible to meet DHCD's 21-working-day turnaround time for its vacant units.

Recommendation

The Authority should reoccupy units within an average of 21 working days.

Auditee's Response

[The Authority] has one part-time maintenance employee therefore on many occasions the unit will need the carpet replaced [and the] wall to be painted. The Authority will need to have outside contractors and scheduling can be problematic. The Authority works with the contractors so the repairs are done and the unit is reoccupied as soon as possible.

6. The Authority did not properly administer its inventory process.

The Authority did not maintain a complete, up-to-date inventory list of its property and equipment. Of the 74 items on the list, 9 had no listed purchase dates and 18 had no listed costs. Also, the list did not include the makes, models, or serial numbers of any items, and the Authority could not provide documentation or evidence of when the last physical inventory was performed. The lack of a complete and up-to-date inventory record of state-owned property and equipment creates an undue risk of undetected loss, theft, or misuse.

2. Potential lost income is calculated by taking number of days vacant beyond 21 working days and multiplying it by the average daily per-unit monthly rate listed on the submitted financial statements.

Authoritative Guidance

Section 15(D) of the DHCD Accounting Manual states,

1. *A physical inventory of all Furniture and Non-Expendable Equipment must be taken and an inventory list maintained each year.*
2. *Physical inventory results must be compared to equipment record and any differences and discrepancies will be reviewed by the [local housing authority] for possible adjustments.*

In addition, the Authority's Inventory and Equipment Policy states,

The Fixed Asset Master listing will include the Asset Number, Description of Equipment including the model and/or serial number where applicable. Location, Date Purchased, Vendor and Cost. . . .

A physical inventory will be conducted on an annual basis at the end of the fiscal year.

Reasons for Noncompliance

According to the part-time clerk, the list is in the process of being created and is not complete. The part-time maintenance employee indicated that he inventoried selected items occasionally at the request of the acting director, but that the Authority is more concerned with accounting for ranges and refrigerators. He added that with all of the other requirements at the Authority, it is difficult to find time to take an annual inventory.

Recommendation

The Authority should complete its master inventory list and then conduct an inventory of its property and equipment and compare it to the current inventory list on hand. It should investigate any discrepancies and make adjustments to bring the current list up to date.

Auditee's Response

The Authority was on a card system. We have transferred all inventories to a computerized system . . . that was approved by DHCD. The Authority has only one tractor and each unit has one refrigerator . . . which has an inventory number that agrees with the new system. All inventories will be checked during inspection and quarterly.

The Authority does have all office equipment inventoried and recorded.