



# The Commonwealth of Massachusetts

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NO. 2008-0629-3A

INDEPENDENT STATE AUDITOR'S REPORT  
ON CERTAIN ACTIVITIES OF THE  
CHATHAM HOUSING AUTHORITY  
JULY 1, 2005 TO OCTOBER 31, 2007

OFFICIAL AUDIT  
REPORT  
JUNE 16, 2008

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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 Chatham Housing Authority for the period July 1, 2005 to October 31, 2007. 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. 2006-0629-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 28-month period ended October 31, 2007, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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### AUDIT RESULTS

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#### 1. PRIOR AUDIT RESULT RESOLVED

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##### **Availability of Land to Build Affordable Housing Units**

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Our prior audit (No. 2006-0629-3A) on the Chatham Housing Authority, which covered the period July 1, 2003 to June 30, 2005, reported that the Authority owned approximately 7.1 acres of land located on Lake Street on which it planned to build affordable housing. The report recommended that the Authority continue in its endeavor to construct additional units to address the demand for low-income housing.

Our current review noted that a development was built on Lake Street, consisting of 47 rental units and three single-family homes.

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#### 2. PRIOR AUDIT RESULTS UNRESOLVED

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Our prior audit noted that improvements were needed in the areas of (a) compliance with Chapter II of the State Sanitary Code and (b) funding of modernization initiatives by the Department of Housing and Community Development (DHCD). Our follow-up review indicated that the Authority has partially resolved these issues, as follows:

##### **a. Results of Inspections – Compliance with State Sanitary Code**

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Our prior audit noted 18 instances of noncompliance with Chapter II of the State Sanitary Code. Our current review determined that nine of these 18 instances of noncompliance have not been remedied. The Authority stated that it is working with DHCD to obtain the funds needed to address the remaining issues. (Appendix I of our report summarizes the remaining instances of noncompliance.)

The Authority indicated in its response that repairs have been completed subsequent to our audit or will be completed in the summer months when weather is suitable for exterior work.

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**b. Modernization Initiatives Not Funded** **5**

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Our prior audit found that although the Authority had applied to DHCD for funding for capital modernization projects for its state-aided properties, the request was not funded by DHCD during the audit period.

Our current review determined that the Authority has yet to receive funding for its capital modernization projects. The Authority should continue to appeal to DHCD to provide the necessary funds to complete its capital modernization projects.

The Authority indicated in its response that it will request the necessary funds from DHCD to address the issues noted in our report.

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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 Chatham Housing Authority for the period July 1, 2005 to October 31, 2007. 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 audits 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 requirements.
- 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.

- 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 programs 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.
- The Authority's progress in addressing the issues noted in our prior report (No. 2006-0629-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 28-month period ended October 31, 2007, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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## AUDIT RESULTS

### 1. PRIOR AUDIT RESULT RESOLVED

#### **Availability of Land to Build Affordable Housing Units**

Our prior audit (No. 2006-0629-3A) on the Chatham Housing Authority, which covered the period July 1, 2003 to June 30, 2005, noted that the Authority owned approximately 7.1 acres of land located on Lake Street on which it planned to build affordable housing. The report recommended that the Authority continue in its endeavor to construct additional units to address the demand for low-income housing.

Our current review noted that a development was built on Lake Street, consisting of 47 rental units and three single-family homes.

### 2. PRIOR AUDIT RESULTS UNRESOLVED

Our prior audit noted that improvements were needed in the areas of (a) compliance with Chapter II of the State Sanitary Code and (b) funding of modernization initiatives by the Department of Housing and Community Development (DHCD). Our follow-up review indicated that the Authority has partially resolved these issues, as follows:

#### **a. Results of Inspections – Compliance with State Sanitary Code**

Our prior audit noted 18 instances of noncompliance with Chapter II of the State Sanitary Code. Our current review determined that nine of these 18 instances of noncompliance have not been remedied, including window casings peeling away, unsafe stairs and handrails, cracked sidewalks, damaged walls, and roofs in need of repair. The Authority stated that it is working with DHCD to obtain the necessary funds to address the remaining issues. (The Appendix on page 6 of our report summarizes the remaining instances of noncompliance.)

#### ***Recommendation***

We commend the Authority for the actions taken to decrease the number of instances of noncompliance with the State Sanitary Code. The Authority should continue to apply for funding from DHCD to resolve the remaining issues.

***Auditee's Response***

In response to this issue, the Authority's Executive Director provided the following comments on its managed properties:

**667-1 Development Anchorage**

<u>Location</u>	<u>Noncompliance</u>
256 Crowell Road	<p>Stair Railing – Unsafe and rusted. Response: This requires a Capital Work Plan and it is the intent of the CHA to request emergency funds from DHCD for this repair. Please note these are exterior iron stair railing.</p> <p>Sidewalk – Cracked Response: This repair is scheduled for the summer months when the weather is suitable for asphalt to be used.</p> <p>Shingles – Falling off building. Response: This repair is scheduled for the summer months which provides suitable weather conditions for exterior work. Please note that all the siding on all our buildings have been reported to DHCD through the Capital Assessment Report done two years ago. At this time we are waiting the outcome.</p>
228 Crowell Road	<p>Hallway – Damaged Wall. Response: The CHA had just hired a part-time maintenance person when the audit team was finishing the audit in February 2008. The purpose of the additional maintenance staff was to aid in correcting outstanding maintenance issues and routine maintenance as well as apartment turn over. As a result of this hire the damaged wall has been repaired as of April 30, 2008.</p> <p>Bedroom – Window sill rotted. Response: Trim work that is in need of repair will be repaired at the same time as the shingles.</p> <p>Railings – Front door railings unsafe and rusted. Response: This is the same issue as 256 Crowell Road and will be included in the Capital Repair request.</p>

**705-1 Development Captain's Landing**

<u>Location</u>	<u>Noncompliance</u>
14 Captain's Landing	<p>Siding – Peeling away from building. Response: This siding has been repaired as of March 31, 2008.</p>
13 Captain's Landing	<p>Front Door – Window casting peeling away.</p>

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Response: This front door was replaced with modernization fund received under DHCD's Capital Work Plan 1010; in addition to this unit's door all the front doors for our 705-1 Development with the same problem were replaced under the same Capital Work Plan 1010 and completed as of March 31, 2008.

Sidewalk – Cracked

Response: As with the sidewalk at unit 256 Crowell Road this will be repaired at the same time.

### ***Auditor's Reply***

We commend the actions initiated by the Authority in response to our concerns. However, since the corrective measures taken by the Authority originated after the completion of our audit fieldwork, we cannot express an opinion on their adequacy and will review any and all corrective actions taken during our next scheduled audit.

### **b. Modernization Initiatives Not Funded**

Our prior audit found that although the Authority had applied to DHCD for funding for capital modernization projects for its state-aided properties, this request was not funded by DHCD during the audit period.

Our current review determined that the Authority has yet to receive funding from DHCD to complete its modernization projects.

### ***Recommendation***

The Authority should continue to appeal to DHCD to provide the necessary funds to complete its capital modernization projects.

### ***Auditee's Response***

The Authority indicated in its response that it will request the necessary funds from DHCD to address issues noted in our report.



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**APPENDIX**
**Noncompliance with Chapter II of the State  
Sanitary Code**
667-1 Development  
Anchorage

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
256 Crowell Road	Stair Railing – Unsafe and rusted	105 CMR 410.503
	Sidewalk-Cracked	105 CMR 410.750
	Shingles – Falling off building	105 CMR 410.500
228 Crowell Road	Hallway – Damaged wall	105 CMR 410.500
	Bedroom – Window sill rotted	105 CMR 410.500
	Railings – Front door railings unsafe and rusted	105 CMR 410.503

705-1 Development  
Captains Landing

14 Captains Landing	Siding – Peeling away from the building	105 CMR 410.500
13 Captains Landing	Front Door – Window casing peeling away	105 CMR 410.500
	Sidewalk – Cracked	105-CMR 410.750