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**INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
CHATHAM HOUSING AUTHORITY
NOVEMBER 1, 2007 TO DECEMBER 31, 2009**

**OFFICIAL AUDIT
REPORT
AUGUST 13, 2010**

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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 Chatham Housing Authority for the period November 1, 2007 to December 31, 2009. 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. 2008-0629-3A).

Based upon our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 26-month period ended December 31, 2009, 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. 2008-0629-3A), which covered the period July 1, 2005 to October 31, 2007, disclosed that (a) various instances of noncompliance with the State Sanitary Code existed at the Authority and (b) modernization requests had not been funded by the Department of Housing and Community Development (DHCD). Our follow-up review disclosed that although the Authority has taken action to remedy these issues, further improvements are needed, as discussed below:

a. Results of Inspections - Compliance with State Sanitary Code

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DHCD's Property Maintenance Guide, Chapter 3(F) requires that inspection 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 nine instances of noncompliance with the State Sanitary Code, including window casings peeling away, unsafe stairs and handrails, cracked sidewalks, and damaged walls. Our follow-up review determined that two of these nine instances of noncompliance have not been remedied; namely, cracked sidewalks on two of its managed properties. The Authority stated that it is working with DHCD to obtain funds needed to address the remaining instances of noncompliance.

b. Modernization Initiatives Not Funded

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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 follow-up 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

capitalization projects. The Authority stated 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, the Office of the State Auditor has conducted an audit of certain activities of the Chatham Housing Authority for the period November 1, 2007 to December 31, 2009. 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.
- Annual rent-determination procedures to verify that rents were calculated properly and in accordance with DHCD regulations.
- Vacancy records to determine whether the Authority adhered to DHCD procedures for preparing and filling vacant housing units.
- Accounts receivable procedures to ensure that rent collections were timely and that uncollectible tenant accounts receivable balances were written off properly.
- Procedures for making payments for payroll, 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.

- Site-inspection procedures and records to verify compliance with DHCD inspection requirements and that selected housing units were in safe and sanitary condition and to determine whether the Authority has in place an updated official written property maintenance plan for its managed properties.
- 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.
- 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.
- Authority expenditures to determine whether they were reasonable, allowable, and applicable to the Authority's operations and were adequately documented and properly authorized in accordance with established criteria.
- The Authority's progress in addressing the issues noted in our prior audit report (No. 2008-0629-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 26-month period ended December 31, 2009, 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. 2008-0629-3A), which covered the period July 1, 2005 to October 31, 2007, disclosed that (a) various instances of noncompliance with the State Sanitary Code existed at the Authority and (b) modernization requests had not been funded by the Department of Housing and Community Development (DHCD). Our follow-up review disclosed that although the Authority has taken action to remedy these issues, further improvements are needed, as discussed below:

a. Results of Inspections - 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 found nine instances of noncompliance with Chapter II of the State Sanitary Code. Instances of noncompliance included window casings peeling away, unsafe stairs and handrails, cracked sidewalks, and damaged walls in need of repair. We recommended that the Authority apply for funding from DHCD to address these issues. Our follow-up review determined that the Authority had taken corrective action to address seven of the nine prior instances of noncompliance. The remaining instances of noncompliance with Chapter II of the State Sanitary Code identified during our current review consisted of cracked sidewalks at two of its managed properties. The Executive Director stated that the Authority will continue to apply for funding from DHCD to address the remaining issues.

b. Modernization Initiatives Not Funded

Our prior audit found that the Authority had applied to DHCD for funding for a capital modernization project for its state-aided properties. However, DHCD did not approve this request. Our follow-up review determined that the Authority has yet to receive funding for its capital modernization projects. The Authority stated that it will continue to request the necessary funds from DHCD to address the issues noted in our report.

APPENDIX**Instances of Noncompliance with Chapter II of the State
Sanitary Code**

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
<u>667-1 Development Anchorage</u>		
256 Crowell Road	Sidewalk – Cracked	105 CMR 410.750
<u>705-1 Development Captains Landing</u>		
13 Captains Landing	Sidewalk - Cracked	105 CMR 410.750