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

**OFFICIAL AUDIT
REPORT
FEBRUARY 11, 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 Concord Housing Authority for the period January 1, 2006 to June 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 reports (Nos. 2006-0637-3A and 2006-0637-11A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 30-month period ended June 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. PRIOR AUDIT RESULTS RESOLVED

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Our prior audit (No. 2006-0637-11A) of the Concord Housing Authority disclosed that certain areas were in need of improvement, including (a) tenant accounts receivable, (b) inventory controls over furniture and equipment, and (c) management controls over information systems. Our follow-up review revealed that the Authority has adequately addressed these issues, as discussed below.

a. Improvements over Tenant Accounts Receivable Procedures

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Our prior audit revealed that tenant accounts receivable records were not available to provide adequate documentation in support of the amounts reported in the financial statements. Our review further disclosed that certain financial information requested was not available or current because the Authority's automated accounting system experienced a computer hard drive crash in November 2005. The retrievable information was not current because the Authority did not conduct file back-ups, maintain back-up tapes, and retain hard copies of tenant activity. Our follow-up review found the Authority now reconciles its tenant accounts receivable records to the General Ledger, backs up its computer files, and prints and retains monthly reports.

b. Improvements over Inventory Controls Procedures

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Our prior report noted that the Authority did not properly establish procedures for inventory controls over furniture and equipment. Our follow-up review determined that the Authority now maintains a complete inventory listing and has adequate controls over its furniture and equipment.

c. Improvements Made in Management Controls over Information Systems **4**

Our prior report noted that the Authority experienced a computer accounting system crash that, due to a lack of administrative and management controls, resulted in the loss of essential operational data. We recommended that the Authority adopt and implement a clear policy, consistent with sound business practices, to ensure that it has sufficient controls in place to preclude the recurrence of a loss of financial record information, including conducting regular daily computer back-ups and maintaining back-up tapes off site. Our follow-up review indicated that the Authority has since adopted and implemented a policy to ensure sufficient controls by conducting daily computer back-ups, maintaining them off site, and printing monthly financial and programmatic reports.

2. PRIOR AUDIT RESULT PARTIALLY RESOLVED: IMPROVEMENTS MADE IN COMPLIANCE WITH STATE SANITARY CODE **4**

Our prior audit report (No. 2006-0637-3A) revealed that 32 instances of noncompliance with Chapter II of the State Sanitary Code existed at eight of the Authority's 116 state-aided housing units, including mold and mildew, cracked windows, missing window screens, entry doors in need of repair, and other health and safety hazards.

Our follow-up review found that the Authority has partially resolved these issues. Specifically, although the mold, mildew, and window/screen and door issues have been resolved, the parking lot, sidewalk, and roof issues have not yet been remedied. The Executive Director indicated that inspections have been conducted for the past two fiscal years, and that the Authority intends to correct the remaining instances of noncompliance.

3. PRIOR AUDIT RESULTS UNRESOLVED: EXCESSIVE VACANCIES, NONCOMPLIANCE WITH DHCD REGULATIONS **5**

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 report (No. 2006-0637-3A) disclosed that the Authority's average turnaround time for vacant units was 70 days, exceeding the limit imposed by DHCD's guidelines.

Our follow-up review found that the average turnaround time for vacant units had increased to 202 days. We noted that during the majority of the current audit period, the Authority's issue with re-occupying vacant units was due to the congregate style of certain units, which remained vacant for an average of 110 days. These units are shared living studio-type apartments and are difficult to rent because of the shared living space and their condition. According to the Executive Director, many of the vacant units, including the elderly, congregate and family units, needed substantial renovations prior to re-occupancy. The Authority is seeking funding from DHCD to renovate or convert the congregate units to one-bedroom apartments.

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 Concord Housing Authority for the period January 1, 2006 to June 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.
- 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 that 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 audit reports (Nos. 2006-0637-3A and No. 2006-0637-11A).

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

AUDIT RESULTS

1. PRIOR AUDIT RESULTS RESOLVED

Our prior audit (No. 2006-0637-11A) of the Concord Housing Authority disclosed that certain areas were in need of improvement, including (a) tenant accounts receivable, (b) inventory controls over furniture and equipment, and (c) management controls over information systems. Our follow-up review revealed that the Authority has adequately addressed these issues, as discussed below.

a. Improvements over Tenant Accounts Receivable Procedures

Our prior audit revealed that tenant accounts receivable records were not available to provide adequate documentation in support of the amounts reported in the financial statements. Our review further disclosed that certain financial information requested was not available or current because the Authority's automated accounting system experienced a computer hard drive crash in November 2005. The retrievable information was not current because the Authority did not conduct file back-ups, maintain back-up tapes, and retain hard copies of tenant activity. We recommended that the Authority take corrective action to ensure that its tenant accounts receivable records are accurate and updated continuously, and to reconcile these amounts to the General Ledger.

Our follow-up review found that the Authority has implemented our recommendations. Specifically, the Authority now reconciles its tenant accounts receivable records to the General Ledger, backs up its computer files, and prints and retains monthly reports.

b. Improvements over Inventory Controls Procedures

Our prior report noted that the Authority did not properly establish procedures for inventory controls over furniture and equipment. Specifically, we noted that although the Authority had established a capital inventory listing, as required by Department of Housing and Community Development (DHCD) regulations, it had not (a) established a threshold dollar amount for its capital inventory, (b) properly tagged all furniture and equipment items with an assigned asset number, and (c) conducted annual physical counts of its inventory items. As a result, there remained inadequate assurance that the Authority's assets were safeguarded against possible loss, theft, or misuse.

Our follow-up review determined that the Authority now maintains a complete inventory listing and has adequate controls over its furniture and equipment. Also, the Authority has established a threshold dollar amount for its capital inventory, has properly tagged all furniture and equipment items with an assigned asset number, and is conducting an annual physical inventory of its furniture and equipment.

c. Improvements Made in Management Controls over Information Systems

Our prior report noted that the Authority experienced a computer accounting system crash that, due to a lack of administrative and management controls, resulted in the loss of essential operational data. We recommended that the Authority adopt and implement a clear policy, consistent with sound business practices, to ensure that it has sufficient controls in place to preclude the recurrence of a loss of financial record information, including conducting regular daily computer back-ups and maintaining back-up tapes off site. Our follow-up review indicated that the Authority has since adopted and implemented a policy to ensure sufficient controls by conducting daily computer back-ups, maintaining them off site, and printing monthly financial and programmatic reports.

2. PRIOR AUDIT RESULT PARTIALLY RESOLVED: IMPROVEMENTS MADE IN 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 report (No. 2006-0637-3A) revealed that 32 instances of noncompliance with Chapter II of the State Sanitary Code existed at eight of the Authority's 116 state-aided housing units, including mold and mildew, cracked windows, missing window screens, entry doors in need of repair, and other health and safety hazards.

We found that although inspection reports for the Authority's units were prepared for the fiscal year ended June 30, 2004, the Authority did not conduct site inspections for the fiscal year ended June 30, 2005. However, we noted that there was a change in management during 2005; as the Executive Director resigned and the Authority was without an Executive Director for a number of months.

Our follow-up review found that the Authority has partially resolved these issues. Specifically, although the mold, mildew, and window/screen and door issues have been resolved, the parking lot, sidewalk, and roof issues have not yet been remedied. The Executive Director indicated that inspections have been conducted for the past two fiscal years, and that the Authority intends to correct the remaining instances of noncompliance.

Recommendation

The Authority should reapply for funding from DHCD to resolve the remaining instances of noncompliance.

Auditee's Response

Funds have been requested by the Executive Director on two separate occasions; however, DHCD did not see fit to award funding, despite severe cracks, lifting and breakdown of all sidewalks. DHCD will be using a Capital Planning System beginning in 2009, which will award every housing authority funding on a limited basis annually. Funds from this CPS will be used for site upgrades and repairs, as monies are received.

3. PRIOR AUDIT RESULTS UNRESOLVED: EXCESSIVE VACANCIES, NONCOMPLIANCE WITH DHCD REGULATIONS

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 report (No. 2006-0637-3A) disclosed that the Authority's average turnaround time for vacant units was 70 days, exceeding the limit imposed by DHCD's guidelines. We recommended that the Authority ensure that the vacant units are refurbished and reoccupied within DHCD's timeframe and that DHCD provide the Authority with the funds necessary to fulfill its respective statutory mandate.

Our follow-up review found that the average turnaround time for vacant units had increased to 202 days. We noted that during the majority of the current audit period, the Authority's issue with reoccupying vacant units was due to the congregate style of certain units, which remained vacant for an average of 110 days. These units are shared living, studio-type apartments and are difficult to rent because of the shared living space and their condition. According to the Executive Director, many of the vacant units, including the elderly, congregate, and family units, needed substantial renovations prior to re-occupancy. The Authority is seeking funding from DHCD to convert these congregate units to one-bedroom apartments.

The Executive Director attributed the excessive vacancies to the substantial renovations needed in its family and elderly units prior to reoccupancy, and the rejection of congregate-style units by many of its prospective tenants. Also, the Authority had only one maintenance employee, which further contributed to the delay in filling and renovating apartments in a timely manner.

Recommendation

The Authority should continue in its efforts to reduce turnaround time and fill vacant units. Also, the Authority should continue to seek funding from DHCD to renovate or convert the congregate units from studio units to one-bedroom units to make them readily accessible to potential occupants.

Auditee's Response

In response to this issue, the Authority stated, in part:

- *DHCD has awarded the Concord Housing Authority up to \$3 million in matching funding for the renovation of the Peter Bulkeley Terrace building. An RFS [Request for Services] is being advertised.*
- *DHCD is no longer taking Emergency requests for funding. DHCD is pursuing a Capital Planning System whereby each housing authority will get some funding based on the number of units they manage.*
- *As stated, DHCD is advertising for Design Services to begin the process of renovation of the Peter Bulkeley Terrace building.*