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**INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
DRACUT HOUSING AUTHORITY
OCTOBER 1, 2004 TO NOVEMBER 30, 2006**

**OFFICIAL AUDIT
REPORT
MAY 25, 2007**

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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 Dracut Housing Authority for the period October 1, 2004 to November 30, 2006. 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. Based upon our review, we have concluded that, except for the issue addressed in the Audit Results section of the report, for the areas we tested the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations during the 26-month period ended November 30, 2006.

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QUESTIONABLE ACCRUAL AND USE OF COMPENSATORY TIME**3**

Our review of payroll time and attendance records disclosed that the Executive Director of the Dracut Housing Authority was allowed to accrue 1,142 hours and use 622 hours of compensatory time since calendar year 2000 without adequate supporting documentation and evidence of Department of Housing and Community Development approval and formal Board approval.

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 Dracut Housing Authority for the period October 1, 2004 to November 30, 2006. 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 assess 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's 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.
- Procedures for making payments to employees for salaries, travel, and fringe benefits to verify compliance with established rules and regulations.
- Site-inspection procedures and records to verify compliance with DHCD inspection requirements and that selected housing units were in safe and sanitary condition.
- 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'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.

Based on our review, we have concluded that, except for the issue addressed in the Audit Results section of this report, during the 26-month period ended November 30, 2006, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

QUESTIONABLE ACCRUAL AND USE OF COMPENSATORY TIME

Our review of payroll time and attendance records disclosed that the Executive Director of the Dracut Housing Authority was credited on September 6, 2006 with 1,142 hours of compensatory time for attending, after his normal business working hours, various town committee meetings (e.g., Community Preservation, Affordable Housing and Coventry Gardens Condominium Association, Charter Committee). The Department of Housing and Community Development (DHCD) acknowledges that executive directors on a regular basis attend evening and/or weekend meetings. DHCD's guidance provides that when executive directors work outside their normal business hours, executive directors may adjust their normal weekday schedule by substituting their night or weekend hours. Such adjustments are subject to discretion of the housing authority's board of commissioners, and are also subject to the approval by DHCD. Specifically, DHCD's Public Housing Notice 2002-05, dated August 5, 2002, relating to Executive Director Salary Qualifications Schedules, states, in part:

The Department requires that executive directors work during normal working hours (Monday – Friday 8 a.m. to 6 p.m.). Time spent at night or weekend meetings which are directly related to Authority business, may be substituted for weekday hours at the discretion of the board and subject to DHCD approval....

In early September 2006, Board members of the Dracut Housing Authority verbally instructed the Administrative Assistant/bookkeeper to post 1,142 hours of compensatory time for the Executive Director for the estimated accumulated hours spent over a five-year period attending meetings that were held at night or on weekends. The Board members estimated that the Executive Director spent 16 hours per month to attend these after normal business hours' meetings dating back to calendar year 2000. Although the estimate may be reasonable, we question the lump sum accrual of 1,142 compensatory hours granted the Executive Director without more detailed supporting evidence of the hours worked, in addition to a formal board vote, and approval by DHCD.

While conducting our audit field phase, we discussed this matter with Authority personnel, and the Authority ceased using compensatory leave time hours to pay the Executive Director's weekly salary. Starting with the week ended January 20, 2007 and through February 24, 2007, the conclusion of our audit fieldwork, the Authority charged the Executive Director's sick time

balance for his weekly salary. As of February 24, 2007, the Executive Director had been paid \$18,961 for 622 hours of his accumulated compensatory time.

Authority personnel indicated that they were unaware of DHCD's regulations regarding the proper processing of time worked by the Executive Director beyond his normal business hours, and that they were unaware that the accumulation of compensatory time was subject to DHCD approval.

Recommendation

The Authority should contact DHCD regarding how to handle the additional work hours that the Board believes the Executive Director is entitled to and take the necessary steps to implement the guidance that DHCD provides. Adequate detailed documentation should be maintained to support any such time earned and granted

Auditee's Response

The Chairman of the Dracut Board of Commissioners responded, in part:

The Board was under the impression that they were able to "set" the terms and conditions for the employment of the Executive Director, as DHCD regulations provide for the Board of Commissioners to approve Executive Directors to work hours, other than normal business hours. Therefore, we felt the allocation of this comp time for the Executive Director was reasonable, and in the best interest of the Authority.

Auditor's Reply

Again, we recommend that the Authority request guidance from DHCD concerning the allowability and documentation requirements for compensatory time.