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**INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
EAST BRIDGEWATER HOUSING AUTHORITY
JULY 1, 2006 TO MARCH 31, 2008**

**OFFICIAL AUDIT
REPORT
SEPTEMBER 30, 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 East Bridgewater Housing Authority for the period July 1, 2006 to March 31, 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 report (No. 2006-0645-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 21-month period ended March 31, 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 - COMPLIANCE WITH STATE SANITARY CODE

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Our prior audit, which covered the period July 1, 2003 to June 30, 2005, identified five instances of noncompliance with Chapter II of the State Sanitary Code, including a broken window, rusty water, and slow-draining sinks.

Our follow-up review noted that the issues involving the broken window and slow-draining sinks have been resolved, and we did not observe any current evidence of rusty water.

2. PRIOR AUDIT RESULTS PARTIALLY RESOLVED

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Our prior audit also noted that improvements were needed in the areas of (a) an official written property maintenance plan, (b) funding of modernization initiatives by the Department of Housing and Community Development (DHCD), and (c) vacant congregate units. Our follow-up review indicated that the Authority has partially resolved these issues, as follows:

a. Official Written Property Maintenance Guide

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Our prior audit reported that the Authority did not incorporate DHCD's Property Maintenance Guide into its policies and procedures, and that the Authority did not have an official written preventive maintenance plan to inspect, maintain, repair, and upgrade its existing housing units.

Our follow-up review determined that the Authority has implemented a preventive maintenance program that adheres to DHCD's Property Maintenance Guide; however, the plan had not yet been approved by the Authority's Board of Commissioners.

In its response, the Authority indicated that corrective action was taken on August 19, 2008, when the Property Maintenance Plan was approved by the Board of Commissioners.

b. Modernization Initiatives

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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, not all of these requests were fully funded by DHCD during the audit period.

Our follow-up review determined that the Authority had not yet received funding for certain capital modernization projects dating back to fiscal year 2001. We found that during the current audit period, the Authority did not receive any modernization funding for its kitchen upgrades, received partial funding for a new septic system and boiler system, and because the previously requested funding for intercom and security upgrades was not provided by DHCD, these projects were funded through the Authority's operating reserves.

The Authority should continue to appeal to DHCD for the funds needed to complete its remaining capital modernization projects.

c. Vacant Congregate Units

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Our prior audit noted that two of the Authority's four-bedroom congregate housing units housed only three tenants, and that the Authority had requested approval from DHCD to convert the congregate units to conventional units in order to occupy the vacant units.

Our follow-up review found that four of the eight vacant congregate units were reoccupied during the current period, that two additional potential applicants were under consideration, and that the Authority was working with Community Partners of Raynham, Massachusetts to fill the remaining units.

In its response, the Authority stated that it is continuing to make progress, and that two additional congregate units have been reoccupied subsequent to our audit.

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 East Bridgewater Housing Authority for the period July 1, 2006 to March 31, 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.
- 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 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.

- Site-inspection procedures and records to verify compliance with DHCD inspection requirements and that selected housing units were in safe and sanitary condition.
- 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.
- The Authority's progress in addressing the issues noted in our prior audit report (No. 2006-0645-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 21-month period ended March 31, 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 – COMPLIANCE WITH STATE SANITARY CODE

Our prior audit report (No 2006-0645-3A) on the physical condition of state-aided public housing units and resources allocated for the operation and upkeep of the East Bridgewater Housing Authority, which covered the period July 1, 2003 to June 30, 2005, identified five instances of noncompliance with Chapter II of the State Sanitary Code, including a broken window, rusty water, and slow-draining sinks. Our follow-up audit noted that the issues involving the broken window and slow-draining sinks have been resolved, and we did not observe any current evidence of rusty water.

2. PRIOR AUDIT RESULTS PARTIALLY RESOLVED

Our prior audit also noted that improvements were needed in the areas of (a) an official written property maintenance plan, (b) funding of modernization initiatives by the Department of Housing and Community Development (DHCD), and (c) vacant congregate units. Our follow-up review indicated that the Authority has partially resolved these issues, as follows:

a. Official Written Property Maintenance Guide

Our prior audit reported that the Authority did not incorporate DHCD's Property Maintenance Guide into its policies and procedures, and that the Authority did not have an official written preventive maintenance plan to inspect, maintain, repair, and upgrade its existing housing units. DHCD's Property Maintenance Guide states, in part:

The goal of good property maintenance at a public housing authority is to serve the residents by assuring that the homes in which they live are decent, safe and sanitary . . . every housing authority must have a preventive plan which deals with all the elements of its physical property and is strictly followed. . . .The basic foundation for your (LHA) maintenance program is your inspection effort the basic goals of an inspection program are to improve the effectiveness and efficiency of your maintenance effort. This will be achieved when you (LHA) have a thorough program of inspections when you observe all parts of the (LHA's) physical property, document the results of the inspections thoroughly, and convert the findings into work orders so that the work effort can be scheduled and organized. Inspections are the systematic observation of conditions and provide the foundation for capital improvements and long range planning, as well as a record of present maintenance needs.

A preventive maintenance program would also:

- Assist in capital improvement planning by assessing the current and future modernization needs of the Authority,

- Enable the Authority to establish procedures to assist in its day-to-day operating activities to correct minor maintenance problems, and
- Schedule major repairs with the assistance of DHCD.

Our follow-up review determined that although the Authority had implemented a preventive maintenance program that adheres to DHCD's Property Maintenance Guide; the plan had not yet been approved by the Authority's Board of Commissioners.

Recommendation

We recommend that the Authority continue to seek approval from the Board of Commissioners for its Property Maintenance Guide and have the maintenance staff review new procedures annually.

Auditee's Response

In response to this issue, the Authority's Executive Director stated, in part:

A formal vote was taken on August 19, 2008 to approve the Property Maintenance Guide.

b. Modernization Initiatives

Our prior audit found that although the Authority had applied to DHCD for funding for capital modernization projects for its state-aided properties, these requests were not fully funded by DHCD during the audit period. Deferring or denying the Authority necessary modernization funding may result in further deteriorating conditions that could render the units and buildings uninhabitable. Moreover, if the Authority does not receive funding to correct these conditions (which have been reported to DHCD), additional emergency situations may occur, and the Authority's ability to provide safe, decent, and sanitary housing for its elderly and family tenants could be seriously compromised. Lastly, deferring the modernization needs of the Authority into future years will cost the Commonwealth's taxpayers additional money due to inflation, higher wages, and other related costs.

Our follow-up review determined that the Authority has yet to receive funding for all of its previously requested capital improvement projects. Although the Authority did receive funding for a new septic system and boiler system, DHCD did not provide the funding requested for

intercom and security upgrades, which were completed using the Authority's operating reserves. In addition, Authority has yet to receive the requested funding for kitchen renovations.

Recommendation

The Authority should continue to appeal to DHCD to provide additional funding for its remaining modernization projects.

Auditee's Response

The Authority chose not to respond in writing to this Audit Result.

c. Vacant Congregate Units

Our prior audit noted that two of the Authority's four-bedroom congregate housing units housed only three tenants, and that the Authority had requested approval from DHCD to convert the congregate units to conventional units in order to occupy the vacant units.

Our follow-up review found that four of the eight vacant congregate units were reoccupied during the current period, that two additional potential applicants were under consideration, and that the Authority was working with Community Partners of Raynham, Massachusetts to fill the remaining units.

Recommendation

We commend the Authority on its progress in filling the vacant units. The Authority should continue its efforts to reoccupy vacant units within DHCD's 21-day guideline.

Auditee's Response

In response to this issue, the Authority's Executive Director stated, in part:

Regarding the [draft audit report,] we have since lease[d] two more units. We now have six of the eight congregate units occupied.

Auditor's Response

We commend the Authority for actions taken to fill vacant units.