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

**OFFICIAL AUDIT
REPORT
OCTOBER 28, 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 Easton Housing Authority for the period July 1, 2005 to December 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. 2006-0648-3A).

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 December 31, 2007, 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 (No. 2006-0648-3A) of the Easton Housing Authority, which covered the period July 1, 2003 to June 30, 2005, noted 17 instances of noncompliance with Chapter II of the State Sanitary Code. DHCD's Property Maintenance Guide, Chapter 3F, 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 current review determined that the Authority has taken corrective action and has applied for funding from DHCD to address the issues noted in our prior audit report. Based on this action, we believe that the Authority has taken adequate steps to comply with DHCD's requirements pertaining to safe and sanitary housing.

2. PRIOR AUDIT RESULTS - UNRESOLVED

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Our prior audit (No. 2006-0648-3A) of the Easton Housing Authority disclosed that the Authority did not fill vacant units within the timeframe established by DHCD. Further, the Authority did not incorporate DHCD's Property Maintenance Guide into its policies and procedures, and did not have an official written preventive maintenance plan. Our follow-up review of these matters revealed that corrective action is still needed, as discussed below.

a. Vacant Units not Reoccupied within DHCD Guidelines

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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 disclosed that the Authority had 70 vacancies during the audit period, and as of December 31, 2005, 21 Elderly units and two Family units remained unoccupied. Moreover, we found that there were over 100 applicants on the Authority's waiting list as of December 31, 2005. Our follow-up review disclosed that vacancies had increased by 16 Elderly units and one Family unit, which remained unoccupied as of March 18, 2008, and that there

were 61 applicants on the Authority's waiting list at that time. During the audit period, the excessive days that the units remained vacant totaled 9,816, resulting in a lost opportunity to earn approximately \$95,548 in potential rental income and at least temporarily depriving needy citizens of subsidized housing. The Authority indicated that several factors prevented it from filling the vacated units.

b. Official Written Property Maintenance Plan not Established

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Our prior audit found 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 current review determined that the Authority still has not established or documented a preventive maintenance plan.

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 Easton Housing Authority for the period July 1, 2005 through December 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 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.

- 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.
- Cash management and investment policies and practices to verify that the Authority maximized its interest income and that its deposits were fully insured.
- 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 report (No. 2006-0648-3A).

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 December 31, 2007, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

At the conclusion of our audit, a draft copy of this report was provided to the Authority, who chose not to submit a formal response.

AUDIT RESULTS

1. PRIOR AUDIT RESULTS RESOLVED – COMPLIANCE WITH STATE SANITARY CODE

Our prior audit (No. 2006-0648-3A) of the Easton Housing Authority, which covered the period July 1, 2003 to June 30, 2005, noted 17 instances of noncompliance with the State Sanitary Code. DHCD's Property Maintenance Guide, Chapter 3F, 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 identified, among other instances of noncompliance with the State Sanitary Code, windows and roofs that needed replacement, sidewalks in need of repair, mold, mildew, and water damage to ceilings and basements, missing floor tiles, rear egresses that were not handicapped-accessible, and other health and safety hazards.

Our current review determined that the Authority has taken corrective action and has applied for funding from DHCD to address the issues noted in our prior audit report. Based on this action, we believe that the Authority has taken adequate steps to comply with DHCD's requirements pertaining to safe and sanitary housing.

2. PRIOR AUDIT RESULTS - UNRESOLVED

Our prior audit (No. 2006-0648-3A) of the Easton Housing Authority disclosed that the Authority did not fill vacant units within the timeframe established by DHCD. Further, the Authority did not incorporate DHCD's Property Maintenance Guide into its policies and procedures, and did not have an official written preventive maintenance plan, as discussed below.

a. Vacant Units not Reoccupied within DHCD Guidelines

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 disclosed that the Authority had 70 vacancies during the audit period, and as of December 31, 2005, 21 Elderly units and two Family units remained unoccupied. Moreover, we found that there were over 100 applicants on the Authority's waiting list as of December 31, 2005.

Our follow-up review disclosed that vacancies had increased by 16 Elderly units and one Family unit, which remained unoccupied as of March 18, 2008, and that there were 61 applicants on the Authority's waiting list at that time. During the audit period, the excessive

days that units remained vacant totaled 9,816, resulting in a lost opportunity to earn approximately \$95,548 in potential rental income and at least temporarily depriving needy citizens of subsidized housing.

The Authority indicated that several factors prevented it from filling vacated units in a timely manner, as follows:

- Several of the vacated units were in poor condition, which required extensive repair time, leading to delays in rehabilitating other vacated units.
- When a first-floor unit becomes vacant, tenants with medical conditions who currently reside on the second floor may transfer to the first-floor unit, resulting in the second-floor unit becoming vacant.
- Second-floor units in the Elderly development have been consistently turned down due to the physical limitations of the applicants.
- The Authority operates within a limited budget. Consequently, incurring overtime for maintenance workers or contractor costs to expedite vacancy turnover time is not always feasible.

We acknowledge that obstacles exist that prevent the Authority from reoccupying vacant units within DHCD's established timeframe. However, the Authority should endeavor to comply with DHCD's 21-day unit turnaround requirement to improve its financial condition and more expeditiously house its waiting list applicants.

Recommendation

We recommend that the Authority prioritize renovating and reoccupying its vacant units and regularly monitor its unit-turnaround process to ensure compliance with DHCD's guidelines. Also, the Authority should request additional funding from DHCD to expand its maintenance staff and expedite the renovation process.

b. Official Written Property Maintenance Plan not Established

Our prior audit found 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 current review determined that the Authority still has not established or documented a preventive maintenance plan. Such a plan would establish procedures to ensure that Authority-managed properties are in safe, decent, and sanitary condition as defined by Chapter II of the State Sanitary Code.

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 its day-to-day operating activities to correct minor maintenance problems, and
- Schedule major repairs with the assistance of DHCD.

We recognize that a plan without adequate funds and resources is difficult, if not impossible, to implement. Nevertheless, without an official written preventive maintenance program in place, the Authority cannot ensure that its managed properties are in safe, decent, and sanitary condition in accordance with Chapter II of the State Sanitary Code.

Recommendation

The Authority should comply with DHCD's Property Maintenance Guide by establishing an official written preventive maintenance plan, and DHCD should provide the necessary funds and resources to ensure that this plan is enacted.