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

**OFFICIAL AUDIT
REPORT
DECEMBER 3, 2008**

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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 Grafton Housing Authority for the period July 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 report (No. 2006-0666-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 24-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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STATUS OF PRIOR AUDIT RESULTS

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Our prior audit (No. 2006-0666-3A) of the Grafton Housing Authority, which covered the period July 1, 2003 to June 30, 2005, disclosed several issues. Specifically, our previous audit disclosed that a) 23 instances of noncompliance with Chapter II of the State Sanitary Code existed at the Authority's state-aided housing developments, b) the Authority was not in compliance with the Department of Housing and Community Development's (DHCD) 21-day limit for reoccupancy of vacant units, c) modernization requests were unfunded by DHCD, and d) an official written property maintenance plan had not been established by the Authority. Our follow-up review revealed that, as discussed below, the Authority has taken action to remedy these issues.

a. Results of Inspections - Compliance with State Sanitary Code

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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 23 instances of noncompliance with Chapter II of the State Sanitary Code during our inspections of eight of the 150 state-aided housing units managed by the Authority, including broken windows and screens, peeling paint on walls, bathroom wall tiles in need of replacement, and exterior siding in disrepair. We recommended that the Authority apply for funding from DHCD to address these issues. During our follow-up review, we found that the Authority had addressed the issues involving broken windows and screens, bathroom tiles, and exterior siding using its own funds. The Executive Director stated that DHCD did not consider these issues to be emergencies, and therefore did not provide funding. The Authority indicated that it would continue to use its own funds to address the remaining issues.

b. Vacant Units Turnaround Time **4**

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 report disclosed that the Authority's average turnaround time for vacant units was 39 days. Our follow-up review found that the average turnaround time for vacant units was reduced to 34 days. The Executive Director indicated that many of the vacant units, especially those in the elderly housing apartments, needed substantial renovations prior to reoccupancy. In addition, the Authority received a number of rejections from prospective tenants, which further delayed the process for filling these apartments in a timely manner. The Authority should continue in its effort to reduce the turnaround time and fill vacated units.

c. Modernization Initiatives **4**

Our prior audit report revealed that the Authority had requested funding from DHCD for a capital modernization project for its state-aided 200 Family development. However, this request was not funded by DHCD. Our follow-up review indicated that the Authority is attempting to use its own funds to address the problems noted in our prior audit, such as roof, electrical, painting, and plumbing issues, in order to prevent further deterioration at the 200 Family development. The Executive Director stated that DHCD does not consider these repairs to be an emergency, and therefore will not provide funding

d. Official Written Property Maintenance Plan Established **4**

Our prior audit report disclosed that the Authority did not incorporate DHCD's Property Maintenance Guide into its own policies and procedures. Specifically, we noted 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 revealed that the Authority now has an up-to-date written preventive maintenance plan in place that complies with DHCD's Property Maintenance Guide. Moreover, the Authority has incorporated the plan into its day-to-day operations to help ensure decent, safe, and sanitary housing for its tenants.

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 Grafton Housing Authority for the period July 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.
- Procedures for making payments to landlords under the Massachusetts Rental Voucher Program to verify compliance with contract provisions and that rental charges by landlords were consistent with established rules and regulations.
- The Authority's progress in addressing the issues noted in our prior audit report (No. 2006-0666-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of the report, during the 24-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

STATUS OF PRIOR AUDIT RESULTS

Our prior audit (No. 2006-0666-3A) of the Grafton Housing Authority, which covered the period July 1, 2003 to June 30, 2005, disclosed several issues. Specifically, our previous audit disclosed that a) 23 instances of noncompliance with Chapter II of the State Sanitary Code existed at the Authority's state-aided housing developments, b) the Authority was not in compliance with the Department of Housing and Community Development's (DHCD) 21-day limit for reoccupancy of vacant units, c) modernization requests remained unfunded by DHCD, and d) an official written property maintenance plan had not been established by the Authority. Our follow-up review revealed that, as discussed below, the Authority has taken action to remedy these issues.

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 Grafton Housing Authority found 23 instances of noncompliance with Chapter II of the State Sanitary Code during our inspections of eight of the 150 state-aided housing units managed by the Authority, including broken windows and screens, peeling paint on walls, bathroom wall tiles in need of replacement, and exterior siding in disrepair. We recommended that the Authority apply for funding from DHCD to address these issues.

During our follow-up review, we found that the Authority has addressed the issues involving broken windows and screens, bathroom tiles, and exterior siding using its own funds. The Executive Director stated that DHCD did not consider these issues to be emergencies, and therefore did not provide funding. The Authority stated that it would continue to use its own funds to address the remaining issues.

Recommendation

The Authority should continue in its efforts to remedy these instances of noncompliance, either through use of its own funds, or by continuing to appeal to DHCD. Moreover, DHCD should

obtain and provide sufficient funds to the Authority in a timely manner so that it may provide safe, decent, and sanitary housing for its tenants.

b. Vacant Units Turnaround Time

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 report disclosed that the Authority's average turnaround time for vacant units was 39 days. We recommended that the Authority should 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 was reduced to 34 days. The Executive Director indicated that many of the vacant units, especially those in the elderly housing apartments, needed substantial renovations prior to reoccupancy. In addition, the Authority received a number of rejections from prospective tenants, which further delayed the process for filling these apartments in a timely manner.

Recommendation

The Authority should continue in its effort to reduce the turnaround time and fill vacated units.

c. Modernization Initiatives

Our prior audit report revealed that the Authority had requested funding from DHCD for a capital modernization project for its state-aided 200 Family development. However, this request was not funded by DHCD. Our follow-up review indicated that the Authority is attempting to use its own funds to address the problems noted in our prior audit, such as roof, electrical, painting, and plumbing issues, in order to prevent further deterioration at the 200 project. The Executive Director stated that DHCD does not consider these repairs to be an emergency, and therefore will not provide funding.

d. Official Written Property Maintenance Plan Established

Our prior audit report disclosed that the Authority did not incorporate DHCD's Property Maintenance Guide into its own policies and procedures. Specifically, we noted that the Authority did not have an official written preventive maintenance plan to inspect, maintain,

repair, and upgrade its existing housing units. Such a plan would establish procedures to ensure that the Authority-managed properties are in decent, safe, and sanitary condition as defined by Chapter II of the State Sanitary Code. Our follow-up review revealed that the Authority now has an up-to-date written preventive maintenance plan in place that complies with DHCD's Property Maintenance Guide. Moreover, the Authority has incorporated the plan into its day-to-day operations to help ensure decent, safe, and sanitary housing for its tenants.