



Commonwealth of Massachusetts  
Office of the State Auditor  
Suzanne M. Bump

*Making government work better*

Official Audit Report – Issued June 9, 2015

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## Housing Families, Inc.

For the period July 1, 2012 through June 30, 2014





Commonwealth of Massachusetts  
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June 9, 2015

Jim Goebelbecker, Ph.D., Chief Executive Officer  
Housing Families, Inc.  
354 Cross Street  
Malden, MA 02148

Dear Dr. Goebelbecker:

I am pleased to provide this performance audit of Housing Families, Inc. This report details the audit objectives, scope, and methodology for the audit period, July 1, 2012 through June 30, 2014. My audit staff discussed the contents of this report with management of the organization.

I would also like to express my appreciation to Housing Families, Inc. for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMB", written over a light blue circular watermark.

Suzanne M. Bump  
Auditor of the Commonwealth

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# TABLE OF CONTENTS

**EXECUTIVE SUMMARY ..... 1**  
**OVERVIEW OF AUDITED ENTITY ..... 2**  
**AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY ..... 3**

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## LIST OF ABBREVIATIONS

CMR	Code of Massachusetts Regulations
DHCD	Department of Housing and Community Development
HFI	Housing Families, Inc.
OSD	Operational Services Division
UFR	Uniform Financial Statement and Independent Auditor's Report

## **EXECUTIVE SUMMARY**

Housing Families, Inc. (HFI) is a not-for-profit organization that provides housing and/or temporary shelter to families that are homeless or at risk of becoming homeless.

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of HFI for the period July 1, 2012, through June 30, 2014. We reviewed these activities to determine HFI's compliance with applicable laws, rules, and regulations and the terms and conditions of its state contracts.

Our audit revealed no significant instances of noncompliance that must be reported under generally accepted government auditing standards.

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## OVERVIEW OF AUDITED ENTITY

Housing Families, Inc. (HFI) is a charitable not-for-profit corporation located in Malden, Massachusetts. According to its website, it provides “safe, temporary shelter and quality affordable housing to homeless and at-risk families.”

HFI was founded in 1986 to provide counseling and temporary and permanent housing referral services to residents of Everett, Revere, Medford, and Malden. HFI currently operates an emergency family shelter for homeless families and permanent housing for the disabled, as well as subsidized rental housing for low-income families.

During our audit period, HFI derived approximately half of its revenue from the Commonwealth under a contract with the Department of Housing and Community Development (DHCD) that began on July 1, 2009, and will continue into fiscal year 2019. Under this contract, DHCD reimburses HFI on the basis of where services are provided (either North Shore or Metro Boston) and the component of service provided by HFI to clients. Component 1 is for temporary shelter and case-management services, and Component 2 is for stabilization services.<sup>1</sup>

During fiscal years 2013 and 2014, HFI’s revenue was as follows:

Revenue Source	Fiscal Year 2013	Fiscal Year 2014
<b>DHCD Contract Revenue</b>		
North Shore Component 1	\$1,080,429	\$1,083,636
North Shore Component 2	75,914	83,934
Metro Boston Component 1	856,881	861,184
Metro Boston Component 2	60,440	62,562
Massachusetts Rental Voucher Program	6,667	21,699
<b>Subtotal</b>	<u>2,080,331</u>	<u>2,113,015</u>
<b>Other Grants (Non-Federal Grants)</b>	248,059	294,330
<b>Direct Federal Grants</b>	262,749	254,519
<b>Other*</b>	1,508,898	1,717,111
<b>Total</b>	<u>\$4,100,037</u>	<u>\$4,378,975</u>

\* Revenue primarily related to donations and property rental income.

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1. Stabilization services are case-management services related to housing searches and stabilization (placing families in permanent housing). HFI provides guidance for continued independence and self-sufficiency in retaining housing.

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## AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of Housing Families, Inc. (HFI) for the period July 1, 2012 through June 30, 2014.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Below is a list of our audit objectives, indicating each question we intended our audit to answer and the conclusion we reached regarding each objective.

Objective	Conclusion
1. Were HFI's operating expenses incurred in accordance with the Operational Services Division's (OSD's) regulations and state contract terms?	Yes
2. Did compensation paid to officers and managers comply with applicable OSD regulations and state contract terms?	Yes
3. Did the board of directors govern HFI's operations in compliance with board bylaws and the Attorney General's Guide for Board Members of Charitable Organizations?	Yes
4. Did payments related to leases comply with applicable OSD regulations and state contract terms?	Yes
5. Were HFI's programs and accounts appropriately monitored internally and by oversight agencies?	Yes
6. Were related-party transactions appropriate and disclosed in compliance with applicable OSD regulations and state contract terms?	Yes

To achieve our objectives, we gained an understanding of the internal controls we deemed significant to our audit objectives and evaluated the design and effectiveness of those controls.

In addition, we performed the following audit procedures:

- We reviewed relevant regulations, guidelines, and contract terms related to our audit objectives.
- We interviewed HFI management regarding HFI oversight and procedures.

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- We interviewed HFI's contracted accountant to gain an understanding of HFI's accounting process.
  - Using a list of people employed by HFI during our audit period, we searched HFI's fiscal year 2013 and 2014 general ledgers to determine whether related-party transactions, if any, were appropriately disclosed in accordance with 808 Code of Massachusetts Regulations (CMR) 1.04(4).
  - We reviewed related-party transaction disclosures at HFI during the audit period to determine whether they were comprehensive and whether the amounts involved were reimbursable in accordance with 808 CMR 1.05(8).
  - We reviewed the board of directors' bylaws and all board minutes and reports to the board during our audit period.
  - We reviewed HFI's Uniform Financial Statements and Independent Auditor's Reports (UFRs) and audited financial statements prepared during our audit period.
  - We reconciled the amounts reported by HFI in its fiscal year 2013 and 2014 UFRs to amounts in its general ledger and audited financial statements.
  - We identified general-ledger account information related to funds received under HFI's state contract, which we used to select our samples for testing.
  - We reviewed all leases executed between HFI and lessors of property during our audit period for appropriate approvals and to determine whether lease payments were reasonable in accordance with 808 CMR 1.05(1).
  - We reviewed 39 out of approximately 2,100 payroll transactions that occurred during our audit period for appropriate approvals and accurate pay rates. We also reviewed officers' and managers' compensation during our audit period to determine whether amounts paid were within the range allowed by 808 CMR 1.05.
  - We reviewed reports completed by oversight agencies, as well as internal documentation, to determine whether HFI's programs and accounts were properly monitored.
  - From a population of 8,793 expenditures for general operating expenses, we selected a non-statistical random sample of 36 expenditures for appropriate approvals and to determine whether expenditures were accurately documented in HFI's general ledger and were compliant with 808 CMR 1.00. Within the same population, we then selected a judgmental sample of 24 expenditures out of the 2,199 expenditures greater than \$300 made during our audit period, for similar review.

We also performed a data reliability assessment of HFI's principal accounting software. We determined that the data were sufficiently reliable for the purposes of our report. Whenever sampling was used, we applied a non-statistical approach, and as a result, we were not able to project our results to the population.