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**INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
LITTLETON HOUSING AUTHORITY
APRIL 1, 2004 TO OCTOBER 31, 2006**

**OFFICIAL AUDIT
REPORT
MAY 4, 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 Littleton Housing Authority for the period April 1, 2004 to October 31, 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. In addition, we reviewed the Authority's progress in addressing the conditions noted in our prior audit report (No. 2004-0833-3A).

Based on our review, we have concluded that except for the issues addressed in the Audit Results section of this report, during the 31-month period ended October 31, 2006, 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 RESULT UNRESOLVED – NONCOMPLIANCE WITH DHCD GUIDELINES FOR FILLING VACANT UNITS

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Our prior audit (No. 2004-0833-3A) disclosed that, from April 1, 1998 through March 31, 2004, the Authority exceeded the Department of Housing and Community Development's (DHCD) 21-day guideline for filling vacant units. As a result, the Authority lost the opportunity to earn approximately \$30,474 in potential rental income. Our prior report also noted that the Authority had not made an effort to increase the applicants on its waiting list and that it had not been sending quarterly vacancy reports to DHCD on a regular basis. Our follow-up review indicated that the Authority has continued to exceed DHCD's guidelines for filling vacant units. As a result, the Authority lost the opportunity to earn approximately \$21,980 in potential rental income for the audit period April 1, 2004 to October 31, 2006. The Authority indicated that the delays were caused by heating problems in elderly housing units and delays in refurbishing family units due to the fact that the Executive Director also serves as a part-time maintenance person. The Authority further indicated that it will petition DHCD for approval to take units off line when major rehabilitation is required, such as heating system replacements or total renovation.

2. NONCOMPLIANCE WITH DHCD REGULATIONS ON ANNUAL UNIT INSPECTIONS

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During our audit, we noted that the Authority did not comply with DHCD regulations on conducting annual unit inspections. 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. Specifically, the Authority had not performed annual unit inspections for the last three years for its Chapter 667 and 705 housing programs. Performing unit inspections on an annual basis helps ensure that the Authority is providing safe and sanitary housing conditions for its tenants. The Executive Director indicated that, due to the restriction

of maintenance hours and the volume of vacancies, he did not have time to inspect all units annually, but that when a tenant did request repairs, they were completed in a timely manner. The Authority further indicated that its units are inspected annually by a fire alarm inspection service contractor who is accompanied by maintenance staff, at which time a visual inspection is made and violations of the State Sanitary Code are addressed. In the future, the Authority will document their inspection efforts and adherence to DHCD's Property Maintenance Guide, Chapter 3(F).

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 Littleton Housing Authority for the period April 1, 2004 to October 31, 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.

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 verify 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.
- Procedures for making payments to landlords under the Massachusetts Rental Voucher Program to verify compliance with the contract provisions and that rental charges by landlords were consistent 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.
- The Authority's progress in addressing the issues noted in our prior audit report (No. 2004-0833-3A).

Based on our review, we have concluded that except for the issues addressed in the Audit Results section of this report, during the 31-month period ended October 31, 2006, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

1. PRIOR AUDIT RESULT UNRESOLVED – NONCOMPLIANCE WITH DHCD GUIDELINES FOR FILLING VACANT UNITS

Our prior audit (No. 2004-0833-3A) of the Littleton Housing Authority disclosed that, during the period April 1, 1998 through March 31, 2004, the Authority lost the opportunity to earn approximately \$30,474 in potential rental income because vacant units were not reoccupied within the timeframe established by the Department of Housing and Community Development's (DHCD) Property Maintenance Guide, which requires that housing authorities reoccupy vacant units within 21 working days. Our prior report also noted that the Authority had not made an effort to increase the applicants on its waiting list and had not been sending its quarterly vacancy reports to DHCD on a regular basis. Specifically, the Authority had not submitted five of its 14 quarterly reports for the prior audit period.

We recommended that the Authority expand its waiting list by advertising in newspapers and community publications and seeking referrals from other local housing authorities, non-profit housing organizations, privately subsidized housing providers, and management companies. We further recommended that the Authority submit the required quarterly reports on occupancy/vacancy to DHCD in a timely manner.

The Authority responded to our prior audit by stating that it aggressively maintains its Chapter 667 and Chapter 705 waiting lists by preparing waiting list updates and actively contacting applicants to determine their continued interest in housing assistance and their current financial status, and that the Authority would consider enhancing its available pool of applicants through advertising.

Our current audit revealed that the Authority continues to take an excessive amount of time to fill its vacant units with new tenants, and, as a result, the Authority lost the opportunity to earn approximately \$21,980 in potential rental income during the period April 1, 2004 to October 31, 2006. Specifically, in the Chapter 667 Elderly Program, five out of 13 units were vacant from 60 days to 273 days, totaling \$8,502 in lost revenue. In the Chapter 705 Family Program, eight out of 13 units were vacant from 60 days to 395 days, totaling \$13,478 in lost revenue. In both programs, the turnover time far exceeded the guidelines established in DHCD. Our review also revealed that the Authority still does not submit quarterly vacancy reports on

occupancy/vacancy to DHCD as required. By not submitting the quarterly reports, DHCD is unable to monitor excessive vacancies at the Authority.

The Executive Director indicated that in the Chapter 667 Elderly Program, two units were vacant for 273 days due to leakage in the heating pipes, which required the heating system to be replaced. However, the Authority indicated that it did not have the funds to replace the system and that modernization funds were not available from DHCD. The Authority is currently replacing the heating system as units become vacant. In addition, one unit was vacant for 152 days due to the fact that the tenant was initially too sick to move into the unit offered, and later refused to move into the unit.

In the Chapter 705 Family Program, a unit was vacant for 395 days due to the fact that the tenant refused to move from a three-bedroom unit to a two-bedroom unit. Three units were vacant for 151 days to 274 days because the units needed total rehabilitation. Another unit was vacant for 200 days because the tenant did not remove the furniture and belongings from the unit after he moved. The Director also indicated that yet another unit has been vacant for 120 days due to mold problems, and they do not have the funding to correct the problem. Furthermore, the Authority indicated that delays in unit turnover were exacerbated due to time spent by the Executive Director performing maintenance duties.

Recommendation

We recommend that the Authority increase its effort to comply with DHCD's regulations on filling vacant units within 21 working days. The Authority should apply for a waiver from DHCD for units that have heating problems and need total rehabilitation. In addition, the Authority should comply with DHCD regulations by submitting the required quarterly vacancy reports.

Auditee's Response

The Authority has an aggressive procedure in maintaining and managing its Waiting Lists for our housing programs. The Authority receives over four hundred (400) applications for housing assistance a year and conducts two (2) Waiting List Updates every year of our application pool, in order to ensure our waiting lists are up to date and active.

The Authority failed to petition DHCD for approval to have vacant units with serious mechanical issues taken off line for reporting purposes. As a result, without this approval, the State Auditor's Office is required to consider any excessive time as

potential lost income. The Authority will petition the DHCD for approval to take units off line when major rehabilitation is required, such as heating system replacements or total renovation. With respect to the heating system failures, the Authority has been utilizing funds from its Operating Reserves to make the repairs. At this point the Authority will now need to petition for emergency modernization funding for any future problems.

The unit in the Chapter 705 Family Program that was vacant for 395 days was left empty because the Tenant refused to move, and involved the Authority in a lengthy administrative procedure, eventually ending up in court proceedings. The Board of Commissioners approved the extended vacancy until all administrative hearings and appeals were completed, as the issue was setting precedent for the Authority.

The Authority was unable to file quarterly reports electronically due to continual problems with the Authority's internet service provider and dial-up connectivity. The Authority has just now had the opportunity to install fiber optic internet service, and will be able to comply with DHCD reporting requirements.

2. NONCOMPLIANCE WITH DHCD REGULATIONS ON ANNUAL UNIT INSPECTIONS

The Department of Housing and Community Development's (DHCD) 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 standard for safe, decent, and sanitary housing as set forth in Chapter II of the State Sanitary Code.

Our audit revealed that the Authority did not comply with DHCD regulations on conducting annual unit inspections. We noted that because the Authority did not perform annual unit inspections for the last three years for its 667 and 705 housing programs; it cannot be assured that its units meet the standards for safe, decent, and sanitary housing.

The Executive Director indicated that he had not inspected the units annually because of time restrictions and the volume of vacancies, but that when a tenant does request repairs, they are completed in a timely manner. The Executive Director also serves the Authority as a part-time maintenance employee, and he indicated that he was not aware of any major maintenance problems. The Authority also indicated that annual inspections were not performed because of other staffing demands, health problems, interfering weather conditions, and other obstacles encountered during the course of the Authority's day-to-day operations.

Recommendation:

The Authority should comply with DHCD regulations and inspect dwelling units on an annual basis.

Auditee's Response

On an annual basis our units are inspected by a fire alarm inspection service contractor. As a matter of procedure, the inspector is accompanied by maintenance staff or by the Executive Director with entry into the units. The Service Contractor requires Authority personnel to be present during the smoke/fire alarm testing in each apartment. At that time the Authority staff will do a visual inspection of the entire apartment. If there are any violation[s] of the State Sanitary Code they are addressed immediately, if there are any unreported maintenance problems they are noted for a work order.

In the future the Authority will prepare inspection reports as verification of the inspection.