



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

Making government work better

Official Audit Report – Issued April 24, 2014

Mashpee Housing Authority

For the period July 1, 2010 through September 30, 2012





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Richard Halpern, Chair
Mashpee Housing Authority
7 Job's Fishing Road
Mashpee, MA 02649

Dear Chairman Halpern:

I am pleased to provide this performance audit of the Mashpee Housing Authority. This report details the audit objectives, scope, and methodology for the audit period, July 1, 2010 through September 30, 2012. My audit staff discussed the contents of this report with management of the Authority.

I would also like to express my appreciation to the Mashpee Housing Authority for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMB", written in a cursive style.

Suzanne M. Bump
Auditor of the Commonwealth

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EXECUTIVE SUMMARY

The Mashpee Housing Authority, a public body politic and corporate, is charged with providing decent, safe, and sanitary dwellings within the financial reach of elderly/handicapped persons and families of low income. The Authority is authorized by, and operates under, Chapter 121B, Section 3, of the Massachusetts General Laws and operates under the oversight of the state's Department of Housing and Community Development (DHCD). A five-member board of commissioners is responsible for the Authority's governance. An executive director, reporting to the board, is responsible for the day-to-day management of the Authority. The Authority also employs three administrative staff members, two maintenance workers, and an outside fee accountant.

The objectives of our audit were to determine the Authority's compliance with applicable laws, rules, and regulations and to review and analyze its internal controls and management practices over the following areas and functions for the purpose of determining their adequacy: tenant selection; preparation and reoccupation of vacant units; rent determinations; collectability of accounts receivable; site inspections; payroll, travel, and fringe benefits; disbursements; inventory controls over property and equipment; contract procurement; cash management and investment practices; DHCD approved budgets versus actual expenditures; level of need for operating subsidies and operating reserves; administration of modernization funds to determine, among other things, the existence of excess funds; and the Massachusetts Rental Voucher Program.

Based on our audit, for the period July 1, 2010 through September 30, 2012, the Authority maintained adequate internal controls and management practices and complied with applicable laws, rules, and regulations for the areas tested.

OVERVIEW OF AUDITED AGENCY

Background

The Mashpee Housing Authority is a small housing authority with 24 one-bedroom units for low-income elderly/handicapped residents, 6 three-bedroom family residential units, and 54 vouchers in the Massachusetts Rental Voucher Program. In addition, the Authority manages Asher's Path, a privately funded, Low Income Tax Credit Program housing development that has 56 units (all one-bedroom units for occupants who are 55 and older). The Authority's mission is to provide low-income elderly/handicapped residents with decent, safe, and sanitary housing within their financial reach.

The Authority is authorized by, and operates under, Chapter 121B, Section 3, of the Massachusetts General Laws; Department of Housing and Community Development (DHCD) regulations; and Title 760 of the Code of Massachusetts Regulations. DHCD is the agency that has oversight of the Massachusetts housing and community development programs and of state-funded housing authorities. DHCD enters into agreements with local housing authorities (LHAs) to plan, design, construct, manage, and administer programs to provide housing for persons of low income within the Commonwealth. The agreement between DHCD and an LHA for the development of new housing is known as the contract for financial assistance. This agreement gives a general overview of the scope of the LHA's responsibilities during the development and management periods and specifically details how these responsibilities are to be executed.

A five-member board of commissioners is responsible for the Authority's governance. Four of the board members are elected, and one member, the state appointee, is appointed by the governor of Massachusetts. An executive director, reporting to the board, is responsible for the day-to-day management of the Authority and provides the board with monthly financial reporting. The Authority also employs three administrative staff members, two maintenance workers, and an outside fee accountant who provides accounting services.

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 Mashpee Housing Authority for the period July 1, 2010 through September 30, 2012.

The objectives of our audit were to determine the Authority's compliance with applicable laws, rules, and regulations and to review and analyze its internal controls and management practices over the following areas and functions for the purpose of determining their adequacy: tenant selection; preparation and reoccupation of vacant units; rent determinations; collectability of accounts receivable; site inspections; payroll, travel, and fringe benefits; disbursements; inventory controls over property and equipment; contract procurement; cash management and investment practices; Department of Housing and Community Development (DHCD) approved budgets versus actual expenditures; level of need for operating subsidies and operating reserves; administration of modernization funds to determine, among other things, the existence of excess funds; and the Massachusetts Rental Voucher Program (MRVP).

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.

To achieve our audit objectives, we reviewed the following:

- Tenant-selection procedures to verify that tenants were selected in accordance with 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 and to determine whether the Authority has in place an updated official maintenance plan for its managed properties.
- Procedures for making payments for payroll, travel, and fringe benefits to verify compliance with established rules and regulations.
- Authority expenditures to determine whether they were reasonable, allowable, and applicable to the Authority's operations and were adequately documented and properly authorized in accordance with established criteria.
- Property and equipment inventory-control procedures to determine whether the Authority properly protected and maintained its resources in compliance with DHCD regulations.
- Contract-procurement procedures and records to verify compliance with public bidding laws and DHCD requirements for awarding contracts.
- The Authority's 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 submitted to DHCD were complete, accurate, and timely.
- The Authority's Net Assets Unrestricted account 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.
- Modernization and development awards to verify that contracts were awarded properly and that funds were received and disbursed in accordance with the contracts, as well as to determine the existence of any excess funds.
- Procedures for making payments to landlords under the MRVP to verify compliance with the contract provisions and that rental charges by landlords were consistent with established rules and regulations.

Additionally, we gained an understanding of the internal controls we deemed significant to our audit objectives and evaluated the design and effectiveness of those controls. Specifically, we performed procedures such as interviewing personnel, reviewing policies, analyzing records, and examining documentation supporting recorded transactions.

We did not rely on computer-processed data for our audit. Instead, we relied on data such as hardcopy source documents and interviews as supporting documentation on which we based our

conclusions. 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.

Based on our audit, for the period July 1, 2010 through September 30, 2012, the Authority maintained adequate internal controls and management practices and complied with applicable laws, rules, and regulations for the areas tested.