



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

*Making government work better*

Official Audit Report – June 19, 2013

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## Mattapoissett Housing Authority

For the period April 1, 2009 through February 29, 2012



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## INTRODUCTION AND SUMMARY OF FINDINGS AND RECOMMENDATIONS

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted an audit of the Mattapoisett Housing Authority for the period April 1, 2009 through February 29, 2012. The objectives of our audit were to follow up on the issues identified during our prior audit of the Authority (No. 2009-0709-3A). In addition, we reviewed complaints from tenants and tenant advocates regarding a mold issue at the Authority's senior complex.

### *Highlight of Audit Findings*

#### *Prior Audit Issue Resolved*

- Our prior audit found that the Authority's unrestricted net asset account was significantly below the minimum level recommended by the Department of Housing and Community Development (DHCD). Our current audit revealed that the Authority resolved this issue and that its unrestricted net asset account is now above the minimum level required by DHCD.

#### *Prior Audit Issues Partially Resolved*

Our prior audit found that the Authority needed to strengthen its internal controls over payroll. Specifically, we found issues with employee timesheets, posting of vacation and sick time accruals, salary and overtime payments, and working hours for the Executive Director. In our current audit, we found that the Authority had addressed some, but not all, of our previous finding regarding internal controls, as follows.

- Our prior audit found instances in which employee timesheets were incomplete and lacked authorization or supporting documentation. Our current audit found that the Authority resolved the timesheet issue for its maintenance employee but not for its Executive Director. Without adhering to DHCD's requirements concerning timesheets, the Authority cannot ensure that its employees are accurately compensated.
- Our prior audit referred to a DHCD report dated January 15, 2009 that disclosed that, contrary to Section 15 of the DHCD Accounting Manual, the Authority had not updated its vacation and sick time accruals in a timely manner. Our current audit found that the Authority has resolved this issue and updates its employees' vacation and sick time accruals monthly.
- Our prior audit noted that in its January 15, 2009 report, DHCD disclosed that the Authority disbursed unauthorized salary and overtime payments to the Authority's Executive Director and maintenance employee without providing documentation

justifying these additional disbursements and that, contrary to Chapter 2 of DHCD's Modernization Manual, the additional payment to the Executive Director was used in calculating her pension benefits. Our prior audit also disclosed that, at the time of our audit, the Authority's maintenance employee was preparing and submitting monthly attendance records without the authorization or oversight of the Authority. Our current audit found that the Authority did not address our prior audit finding regarding unauthorized salary and overtime payments to the Executive Director and maintenance employee. In fact, during our current audit period, the maintenance employee in question was paid \$3,165 for overtime that was not preapproved as required by current board policy. We also found three instances, totaling \$235, in which overtime was paid but not clearly documented. By not adhering to DHCD policies and procedures and its own regulations, the Authority risks making excessive and unallowable payments.

- Our prior audit found that hours recorded in the Executive Director's monthly timesheets were not consistent with the office hours and days on which the Authority is open to the general public per the Authority's Personnel Policy and Management Plan. Our current audit found that this issue has been resolved and that the Executive Director's hours, indicated on her attendance calendar, are consistent with board policy and with posted office hours.
- Our prior audit found that the Authority's Management Plan needed updating: it was created in 1987 and last revised in 1994. Our current audit found that the Authority had not yet updated its Management Plan. By not updating its Management Plan, the Authority risks disruption of its procedures should it experience personnel turnover, as well as noncompliance with DHCD's internal control requirements.
- Our prior audit found that improvements were needed in the governance, oversight, and monitoring of Authority activities. Our current audit found that although some prior practices have been addressed, the Authority's board had not developed or implemented any written internal controls or adhered to regulations that require contracts entered into by the Executive Director be submitted to the board. As a result, the Authority's fiscal affairs and operations and its compliance with applicable laws, rules, and regulations are at risk.

#### ***Prior Audit Issue Unresolved***

Our prior audit found that the Authority was not reoccupying vacant units within the timeframe established by DHCD guidelines. Our current audit determined that (1) the Authority has not resolved this issue, (2) seven of 11 required quarterly vacancy reports were filed with DHCD after the deadline for doing so had expired, and (3) the vacancy report for the quarter ended September 30, 2011 did not include vacancy data. As a result, the Authority lost the opportunity to earn an estimated \$12,915 in potential rental income during the audit period.

***Other Matters***

During our audit, we followed up on complaints received from tenants and tenant advocates regarding a mold issue at the Authority's senior complex. We noted that DHCD contracted with an engineering firm and resolved the issue.

**OVERVIEW OF AUDITED AGENCY**

The Mattapoisett Housing Authority is authorized by and operates under the provisions of Chapter 121B of the Massachusetts General Laws, as amended. The Authority oversees 54 elderly housing units (667-1 Program) and 10 family housing units (200-1 Program). The Authority's staff consists of a part-time Executive Director and a full-time maintenance employee. The Authority is located at 1 Acushnet Road, Mattapoisett.

## **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 Mattapoisett Housing Authority for the period April 1, 2009 through February 29, 2012. The objective of our audit was to follow up on issues raised during our prior audit of the Authority (No. 2009-0709-3A) to determine the status of corrective action taken regarding the issues identified in our prior audit report. In addition, we reviewed complaints from tenants and tenant advocates regarding a mold issue at the Authority's senior complex.

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:

- The Authority's progress in addressing the issues noted in our prior audit report.
- Steps taken to address the concerns raised by tenants and tenant advocates pertaining to a mold issue at the senior complex.

Additionally, we gained an understanding of the internal controls deemed to be significant to our audit objectives and evaluated the design of these controls. We then performed further audit procedures consisting of tests of control effectiveness and/or substantive procedures that provide evidence pertaining to our audit objectives. Specifically, we performed procedures such as interviewing personnel, reviewing policies, analyzing records, and examining documentation supporting recorded transactions.

When performing our audit, we relied on hardcopy source documents and therefore did not consider the reliability of the Authority's information system controls. 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, we have concluded that, although the Authority has taken corrective action on several issues identified in our prior audit report, other issues relating to employee timesheets; salary payments, overtime payments, and retirement deductions; vacant-unit turnaround time; the Authority's Management Plan; and internal controls remained partially resolved or unresolved. In addition, the Authority resolved a mold issue at its senior complex, as detailed in the Other Matters section of this report.



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## AUDIT FINDINGS

### **1. PRIOR AUDIT ISSUE RESOLVED – THE AUTHORITY’S UNRESTRICTED NET ASSET ACCOUNT MEETS THE MINIMUM RECOMMENDED LEVEL**

Our prior audit (No. 2009-0709-3A) of the Mattapoisett Housing Authority found that the Authority’s unrestricted net asset account (formerly known as the operating reserve) was significantly below the minimum level recommended by the Department of Housing and Community Development (DHCD). Our follow-up audit found that, before fiscal year 2010, DHCD measured the unrestricted net asset balance based on the maximum and minimum amount balances at the close of each fiscal year. The maximum amount is based on 50% of the fiscal year’s budgeted expenditures, and the minimum is 40% of the maximum amount. In fiscal year 2010, DHCD decreased the minimum required unrestricted net asset balance to 20% of the maximum amount, resulting in the Authority’s unrestricted net asset balance exceeding DHCD’s new minimum required level as of September 30, 2011. Specifically, the Authority’s unrestricted net asset balance as of September 30, 2011 (fiscal year-end date) was calculated as \$38,298, or \$11,840 above DHCD’s minimum requirement of \$26,458.

### **2. PRIOR AUDIT ISSUE PARTIALLY RESOLVED – INADEQUATE CONTROLS OVER PAYROLL**

Our prior audit found that the Authority needed to strengthen its internal controls over payroll. Specifically, we found issues with (a) incomplete and unauthorized employee timesheets; (b) untimely posting of vacation and sick time accruals; (c) unauthorized, undocumented, and questionable salary and overtime payments; and (d) questionable working hours for the Executive Director. As a result of these issues, the Authority could not ensure that its payroll costs represented reasonable, allowable, and allocable expenses. The current status of each of these issues is discussed in the following sections.

#### **a. Incomplete and Unauthorized Employee Timesheets – Partially Resolved**

Our prior audit found that improvements were needed in the completion, authorization, and documentation of employee timesheets for the Authority’s two employees. We noted that timesheets were incomplete and lacked a supervisory signature. Further, the maintenance employee’s timesheets lacked information on tasks worked on in a given day. The Authority is required by DHCD to maintain formal, standardized time and attendance records for each employee. Standard payroll practices used by local housing authorities require the preparation,

submission, and approval of employee timesheets. Reporting time worked during a workweek is essential for ensuring an accurate accounting of payroll.

Our current audit determined that this issue was resolved for the maintenance employee but unresolved for the Executive Director. The maintenance employee now prepares his timesheet weekly and includes hours worked, maintenance work performed, any benefits used, and his signature. The Executive Director approves his timesheets on a biweekly basis to coincide with payroll. However, the Executive Director's attendance is recorded on a monthly planner instead of a standardized timesheet. Sound business practices advocate that all employee hours should be documented as a permanent record.

***Recommendation***

The Authority should require its Executive Director to record her hours on a standardized timesheet, detailing hours worked and benefit time taken, to ensure an accurate accounting of payroll.

***Auditee's Response***

In response to this issue, Mattapoisett officials stated that, after the end of our audit field work, the Executive Director began using a weekly signed timesheet to document her hours worked and benefit time taken.

**b. Untimely Posting of Vacation and Sick Time Accruals – Resolved**

Our prior audit report referred to a DHCD report dated January 15, 2009 that disclosed that, contrary to Section 15 of the DHCD Accounting Manual, the Authority had not updated its vacation and sick time accruals in a timely manner. Specifically, the report stated that, as of October 15, 2008 (the date of DHCD's site visit), accrual time was not recorded past the month of January 2008. In response to this DHCD report, the Authority indicated that vacation and sick time records are now updated monthly.

Our current audit determined that this issue has been resolved. The Authority is in compliance with DHCD's requirements for recording sick time and vacation accruals.

**c. Unauthorized, Undocumented, and Questionable Salary and Overtime Payments – Unresolved**

During our prior audit, we noted that in its January 15, 2009 report, DHCD disclosed that the Authority disbursed unauthorized salary and overtime payments to the Authority's Executive Director and maintenance employee to cover the administration of its modernization program. DHCD reported that, of \$101,675 that the Authority disbursed to the Executive Director and maintenance employee, only \$20,130 was approved by DHCD for the modernization program. The DHCD report also noted that, when requested, the Authority did not or could not provide documentation justifying these additional disbursements and that, contrary to Chapter 2 of DHCD's Modernization Manual, the additional payment to the Executive Director was used in calculating her pension benefits. Our prior audit also disclosed that, at the time of our audit, the Authority's maintenance employee was preparing and submitting monthly attendance records without the authorization or oversight of the Authority to indicate approval of overtime charged. Our prior review of the maintenance employee's timesheets revealed that overtime had not been approved before or after its accrual. In addition, our prior audit found that the maintenance employee was inappropriately compensated for overtime. Overtime pay should be granted for hours actually worked in excess of 40 hours, but during our prior audit period, this employee was paid at the overtime rate for 295.5 hours of vacation and holiday time.

Our current audit found that the Authority has not addressed our prior report's finding of unauthorized salary and overtime payments paid to the maintenance employee and the Executive Director. In addition, the Authority has not addressed the unallowable payment that was made to the Executive Director and used to calculate her pension benefits. We also found that, during our current audit period, the maintenance employee was paid \$3,165 for overtime that was not preapproved as required by current board policy. Moreover, we noted three instances, totaling \$235, in which overtime was paid to this individual but not clearly documented. Our review of employee overtime did reveal that the Authority established a policy that excludes days off and leave without pay from the determination of actual hours worked, so that employees will not be compensated for overtime during weeks that include holidays and vacations. The Authority also established a policy that requires all overtime to be approved in advance by the Executive Director or his/her designee; however, this policy was not followed.

***Recommendation***

The Authority needs to take measures to ensure that all overtime pay is properly authorized, calculated, documented, and preapproved. It also needs to take measures to address the issue of using the unauthorized payment to the Executive Director to calculate her pension benefits.

***Auditee's Response***

We have summarized the Authority's response to this issue as follows:

- With respect to DHCD's special-scope report concerning unauthorized salary and overtime payments made to the Executive Director and maintenance employee, the Authority indicated that it requires more time to review the overtime earned and comment as to why each overtime payment was made.
- With respect to unallowable retirement payments that were deducted from payments to the Executive Director, the Authority indicated that it has provided the Plymouth County Retirement System with detailed information on the retirement payments that were paid, the payments that should have been paid, and the refund due. This issue was still under review at the conclusion of our audit.
- With respect to unauthorized overtime payments made to the maintenance employee that were not preapproved, the Authority stated that the maintenance employee is allowed overtime for snow removal and emergency plumbing and electrical issues.

***Auditor's Reply***

Given that DHCD's special-scope report was issued on January 15, 2009 and the Office of the State Auditor (OSA) report was issued on January 6, 2011, there has been ample time for the Authority to investigate and take measures to address the issues raised in these reports. Further, although the OSA does not dispute that the maintenance employee is allowed to receive overtime pay, all overtime hours should be properly authorized in accordance with the Authority's approved policies, which require employees to obtain preapproval. If there are instances in which this arrangement is not practical, the Authority should consider amending its overtime policy.

**d. Inconsistencies in Executive Director's Reported Working Hours – Resolved**

Our prior report revealed that hours recorded in the Executive Director's monthly timesheets were not consistent with the office hours and days on which the Authority is open to the general public per the Authority's Personnel Policy and Management Plan.

Our current audit found that this issue has been resolved and that the Executive Director's hours, indicated on her attendance calendar, are consistent with board policy and with posted office hours.

### **3. PRIOR AUDIT ISSUE UNRESOLVED – IMPROVEMENTS NEEDED IN VACANCY TURNAROUND TIME AND VACANCY REPORTING**

Our prior audit of the Authority's vacant-unit turnaround time disclosed that the Authority had excessive delays in preparing vacated apartments for occupancy and, as a result, may have lost the opportunity to earn approximately \$33,884 in potential rental income because it did not have units ready for occupancy on a timely basis. Specifically, it took the Authority an average of 152 days to prepare and occupy the vacant units, well beyond the 21 working days recommended by DHCD guidelines.

Our current review of vacancy turnaround time and vacancy reporting revealed that these prior issues had not been adequately resolved. Specifically, we determined that during our audit period, it took the Authority an average of 133 days to prepare and occupy vacant units. Potential lost income for units not occupied within the DHCD-recommended timeframe of 21 working days totaled \$10,380 for the 667-1 elderly housing program and \$2,535 for the 200-1 family housing program, or \$12,915 in total during the audit period.

In addition, our current review of vacancy reporting revealed that, of the 11 quarterly vacancy reports that the Authority filed with DHCD during the audit period, seven (64%) were filed more than 30 days after the close of the quarter. On average, these reports were filed 96 days after DHCD's filing deadline. We also found that there were no vacancy data in the report for the quarter ended September 30, 2011.

#### ***Recommendation***

The Authority should implement procedures to ensure that all vacant units are occupied within DHCD's recommended 21-working-day timeframe to provide housing to eligible applicants in a timely manner and to earn much-needed additional revenue. In addition, the Authority should ensure that it files timely, complete, and accurate quarterly vacancy reports in accordance with DHCD Public Housing Notice 2002-09, which requires these reports to be filed within 30 days after the end of each quarter.

***Auditee's Response***

In response to this issue, Mattapoissett officials stated, in part:

*During the mold remediation process, 4 units were worked on at the same [time] and then residents from 4 moldy apartments were then transferred to the newly remediated units. The process on the 4 units took approximately 3-4 weeks to accomplish. . . .*

*[The] Director did not have time to also review and post all incoming applications and the books remained not current which in turn made it impossible to process the vacancy report.*

***Auditor's Reply***

Tenant rents constitute housing authorities' main source of revenue; therefore, it is imperative that the Authority make its best effort to adhere to DHCD guidelines and reoccupy vacant units within 21 working days. In addition, our calculations did not include any units involved in the mold remediation process. Finally, DHCD requires that vacancy reports be filed accurately and on time, and the Authority must adhere to this regulation.

**4. PRIOR AUDIT ISSUE UNRESOLVED – MANAGEMENT PLAN NEEDS UPDATING**

Our prior audit found that the Authority's Management Plan needed updating: it was created in 1987 and last revised in 1994. Although the Management Plan had the necessary components (e.g., organization, personnel policies, job descriptions, DHCD regulations), it did not note updates made since its inception. Specifically, we noted several places in which the Management Plan referred to outdated DHCD regulations.

During our current audit, we found that the Authority still has not properly updated its Management Plan. The National Association of Housing and Redevelopment Officials, in its Board Members Handbook, recommends that an Authority's Management Plan be updated to reflect each Authority's current operations so that the Management Plan can be used to centrally document the key internal controls, policies, and procedures by which the Authority operates. Regular, documented updates are important in order to reflect changes in the Authority's policies, procedures, and scope of operations, and a documented Management Plan makes it possible for the Authority to follow consistent procedures, even if it experiences changes in personnel or management. Moreover, an updated and complete Management Plan establishes the procedures by which the Authority operates to ensure compliance with DHCD's internal control requirements. By not updating its Management Plan, the Authority risks disruption of its procedures should it

experience personnel turnover, as well as noncompliance with DHCD's internal control requirements.

***Recommendation***

The Authority needs to update its Management Plan and ensure that all updates are initialed and dated. Documentation of updates is important in order to reflect changes in the Authority's policies, procedures, and scope of operations and to ensure compliance with DHCD rules, regulations, current guidelines, and internal control requirements.

***Auditee's Response***

*Board members [have] offered to work on updating the Management Plan.*

**5. PRIOR AUDIT ISSUE UNRESOLVED – GOVERNANCE, OVERSIGHT, AND MONITORING NEED IMPROVEMENT**

Our prior audit found that various problems we identified at the Authority resulted from a breakdown of the system of controls such as the checks and balances (i.e., governance) that are supposed to be exercised by the Authority's board in fulfilling its responsibility to set policy, give direction, and monitor and oversee Authority activities. These responsibilities are intended to ensure that the Authority's fiscal affairs and operations are conducted in compliance with applicable laws, rules, and regulations. Our prior report also noted that, in a letter to the Authority's Executive Director dated January 15, 2009, DHCD described several concerns, including questionable and inappropriate practices that needed to be addressed. Furthermore, the letter stated that "the Authority must develop and implement appropriate internal controls to ensure that there is compliance with department policies and procedures."

Our current audit found that, although some of the practices we discussed in our prior audit report have been addressed, the board has not developed or implemented an internal control manual to ensure the Authority's compliance with departmental policies and procedures.

Further, 760 Code of Massachusetts Regulations (CMR) 4.05(1)(d) establishes the following requirements regarding the employment contract between an Authority and its Executive Director:

*If the LHA and the executive director shall have negotiated an employment agreement to be funded in whole or in part by the Department, the Department shall have approved the agreement. The Department shall establish guidelines setting standards for approval of such employment agreements.*

Although 760 CMR 4.05(1)(d) does not require the Authority and its Executive Director to enter into an employment contract, parties choosing to negotiate an employment contract that DHCD will fund in part or in whole must submit that contract to DHCD for approval.

***Recommendation***

The Authority should develop and implement appropriate internal controls over all of its activities and ensure that a copy of the Executive Director's contract is submitted to DHCD in accordance with 760 CMR 4.05(1)(d).

***Auditee's Response***

In response to this issue, Authority officials stated, in part:

*The Authority, during the Director's 21 years of service, has never been required to submit policies, contracts, or any other internal revisions to DHCD for their approval. . . . [The] Board will work together to develop internal controls in compliance with DHCD regulations to safeguard assets.*

***Auditor's Reply***

Contrary to the Authority's response, 760 CMR 4.05(1)(d) requires the Authority to submit the contract negotiated between the Authority and its Executive Director to DHCD for approval. We again recommend that the Authority submit a copy of the Executive Director's contract to DHCD in accordance with 760 CMR 4.05(1)(d).



## OTHER MATTERS

### **COMPLAINTS FROM TENANTS AND TENANT ADVOCATES REGARDING A MOLD ISSUE AT THE AUTHORITY'S SENIOR COMPLEX**

During our audit of the Mattapoisett Housing Authority, we followed up on complaints we received from tenants and tenant advocates regarding a mold issue at the Authority's senior complex. In order to accomplish this objective, we met with Authority management, Department of Housing and Community Development (DHCD) building representatives, a representative from the Massachusetts Senior Action Council, and concerned tenants.

The DHCD building representatives who oversaw the modernization project that was completed to resolve the mold issue stated that, in addition to air-conditioning units being installed in each apartment, the hallways were ventilated in order to prevent moisture and mold from forming.

We were also provided with a report from DHCD's contracted engineering firm regarding the atrium/corridor design and operation. The report stated that temperature and humidity readings taken in multiple locations of the corridor revealed that the air temperature in the atrium/corridor was consistently less than the outside temperature. It also stated that the two-story atrium/corridor is a transient space and is not intended as a habitable space in which people will sit and spend time. The engineering firm returned a year after the project's completion to monitor the temperatures in the hallways and determined that the system was functioning as intended.

Based on our meetings and our review of the engineering firm's report, we determined that sufficient steps were completed to resolve the mold issue.