



# The Commonwealth of Massachusetts

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**INDEPENDENT STATE AUDITOR'S REPORT  
ON CERTAIN ACTIVITIES OF THE  
MILFORD HOUSING AUTHORITY  
FEBRUARY 1, 2005 TO AUGUST 31, 2007**

**OFFICIAL AUDIT  
REPORT  
JUNE 10, 2008**

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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 Milford Housing Authority for the period February 1, 2005 to August 31, 2007. 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. Based on our review, we have concluded that, except for the issue addressed in the Audit Results section of the report, for the areas tested, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations during the 31-month period ended August 31, 2007.

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The Department of Housing and Community Development's Property Maintenance Guide indicates that housing authorities should reoccupy units within 21 working days of their being vacated by a tenant. However, our review found that during the period February 1, 2005 through August 31, 2007, the Authority's average turnaround time for reoccupying vacant units was 165 days. Because of the delays in filling 110 units, the Authority may have lost the opportunity to earn approximately \$161,364 in potential rental income from state-aided housing programs.

The Authority, in its response to this issue, stated in part, "While the MHA agrees that leaving units vacant for extended periods of time, results in lost revenues, the Authority has been faced with difficult choices over the last several years due to level funding and the lack of modernization funds. While renovating apartments for the next eligible low-income family remains one of our highest priorities, we must also ensure that our current tenants continue to reside in decent, safe and sanitary housing. The State Auditor recognized in his comprehensive report on the "Physical Condition of and Resources Allocated for the Operation and Upkeep of State Aided Public Housing" that the poor fiscal conditions and inadequate resources are affecting our ability to provide decent, safe and sanitary housing."

## 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 Milford Housing Authority for the period February 1, 2005 to August 31, 2007. 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.
- Procedures for making payments to employees for salaries, travel, and fringe benefits to verify compliance 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 regulations.
- 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 the contract provisions and that rental charges by landlords were consistent with established rules and regulations.
- Modernization awards to verify that contracts were awarded properly and that funds were received and disbursed in accordance with the contracts, and to determine the existence of any excess funds.

Based on our review, we have concluded that, except for the issue addressed in the Audit Results section of this report, during the 31-month period ended August 31, 2007, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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## AUDIT RESULTS

### VACANT UNITS NOT REOCCUPIED WITHIN DHCD GUIDELINES

The Department of Housing and Community Development's (DHCD) Property Maintenance Guide indicates that housing authorities should reoccupy units within 21 working days of their being vacated by a tenant. Our review found that during the period February 1, 2005 through August 31, 2007, the Authority's average turnaround time for reoccupying vacant units was 165 days. Because of the delays in filling 110 units, the Authority may have lost the opportunity to earn approximately \$161,364 in potential rental income from state-aided housing programs.

The Authority's Director and Assistant Director noted that the Authority's units are on average 47 years old and require extensive maintenance such as kitchen, bathroom, and flooring repairs when a unit becomes vacant. We found that many units were listed in the Authority's vacancy ledger as either in fair or poor condition. The Authority follows DHCD's recommendations in their Property Maintenance Guide by "giving the simplest vacancies a higher priority than those that will be more complex and time consuming to refurbish," and also "give vacancies that are easier to rent a higher priority for refurbishment". However, as a result of this practice, other units may end up vacant even longer. The Authority uses its own maintenance staff to perform many of the repairs, since they lack the financial resources to hire outside contractors. We found that the Authority had two vacant maintenance positions during the audit period.

Although the Authority is following suggested procedures outlined in the Property Maintenance Guide, it may have lost the opportunity to earn potential rental income net of maintenance and repair costs, and may have lost the opportunity, at least temporarily, to provide needy citizens with subsidized housing. The Authority should continue to monitor this issue and work with DHCD to obtain modernization funds to assist in the timely rehabilitation of these units.

#### ***Recommendation***

The Authority should ensure that the vacant units are refurbished and reoccupied within DHCD's timeframe. DHCD should obtain and provide the Authority with the funds necessary to fulfill their respective statutory mandates.

**Auditee's Response:**

The Authority's Executive Director provided the following response:

*While the MHA [Milford Housing Authority] agrees that leaving units vacant for extended periods of time, results in lost revenues, the Authority has been faced with difficult choices over the last several years due to level funding and the lack of modernization funds. While renovating apartments for the next eligible low-income family remains one of our highest priorities, we must also ensure that our current tenants continue to reside in decent, safe and sanitary housing. The State Auditor recognized in his comprehensive report on the "Physical Condition of and Resources Allocated for the Operation and Upkeep of State Aided Public Housing" that the poor fiscal conditions and inadequate resources are affecting our ability to provide decent, safe and sanitary housing.*

*With limited resources, we are forced to make the necessary repairs on the occupied units before the vacant units to ensure that we comply with our mandate of providing decent safe and sanitary housing at the lowest cost. However, while the standard applicant has been forced to wait longer because of our inability to turn units over faster, the MHA has continued to place our priority applicants (i.e., fire victims), as quickly as possible, thus rearranging work schedules to accommodate those applicants in the greatest immediate need.*

*The DHCD Property Maintenance Guide set a target of 21 workdays from vacancy to reoccupancy. This target was set 17 years ago, when the housing stock in Massachusetts was much younger. With the exception of our 705 units (whose age ranges from 40 to 100 years old) the average age of the public housing units constructed in Milford is 47. At age 47, the majority of the building components have far exceeded their useful life. Of significant note is the fact that during the audit period, the MHA completed more than 3000 work orders.*

*While the family units are vacant, we have chosen to complete any major renovations on a unit-by-unit basis prior to reoccupancy. At our veterans project (age 60), we are replacing all the floor tiles (at least 40 years old) and updating the baths (original), in addition to the renovations required in each vacant unit. When a scattered site unit is vacant, complete bath and kitchen modernization is accomplished as well as any heating and electrical upgrades.*

*The State Auditor also acknowledged in his comprehensive report that "...many of the vacant units require some degree of major maintenance and repair in order to reoccupy. The length of time necessary to reoccupy these units is affected by several circumstances, including state of disrepair, frequency of upkeep, adequacy of maintenance staff, and most importantly the availability of adequate funds for maintenance and repair..." The Milford Housing Authority agrees that the availability of adequate resources has become the greatest obstacle to the timely rehabilitation of our public housing units.*

*The Milford Housing Authority Board of Commissioners monitors the vacancy report on a monthly basis. In addition, they tour vacant units throughout the year.*

*The Milford Housing Authority files a quarterly report with DHCD, "who recognizes that many units are in need of substantial repair, thus requiring them to be off the rent rolls for some period of time. Whether the repairs are done in a comprehensive manner throughout the development or performed on an as-needed basis, the restoration of*

*units takes time, especially when units have been occupied for many years by one household." We periodically review the status of our vacant units with our DHCD management specialist.*

*DHCD and the Legislature have responded positively to the serious need to preserve the deteriorating public housing units across the Commonwealth. The MHA is entering the Commonwealth's FY08 budget year with a 12% increase in the nonutility expense level. In addition, DHCD is allowing Authorities to assess their maintenance personnel needs and adjust accordingly while complying with the bottom line. We look forward to the opportunity to begin to address our personnel shortage, as well as the ability to hire outside contractors for some of our renovations in hopes of meeting the guidelines for unit turnaround set by DHCD.*