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NO. 2010-0722-3A

**INDEPENDENT STATE AUDITOR'S REPORT ON
CERTAIN ACTIVITIES OF THE
MILFORD HOUSING AUTHORITY
SEPTEMBER 1, 2007 TO DECEMBER 31, 2009**

**OFFICIAL AUDIT
REPORT
JANUARY 31, 2011**



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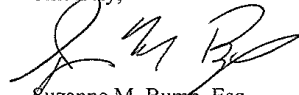
January 31, 2011

Dear Ms. Morrill,

Enclosed is an audit report for your review. This audit of Milford Housing Authority covers the audit period of September 1, 2007 to December 31, 2009. This is one of a number of audits commenced and largely completed during the tenure of my predecessor, State Auditor A. Joseph DeNucci. Should you desire more information relative to this audit, please contact me.

I look forward to fostering a cooperative relationship between our respective offices. If my staff or I may be of assistance at any time, please do not hesitate to call upon us. I know we both share the goal of making government work better.

Sincerely,



Suzanne M. Bump, Esq.
Auditor of the Commonwealth

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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 Milford Housing Authority for the period September 1, 2007 to December 31, 2009. 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. We also conducted a follow-up review of the Authority's progress in addressing the issue noted in our prior audit report (No. 2008-0722-3A).

Based on our review, we have concluded that during the 28-month period ended December 31, 2009, except for the issue addressed in the Audit Results section of this report, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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Our prior audit of the Authority, which covered the period February 1, 2005 to August 31, 2007, found that the Authority experienced delays in reoccupying its housing units, resulting in the loss of potential rental income totaling \$161,364. Specifically, we noted that the Authority's average turnaround time for reoccupying 110 vacant units was 165 days. Our follow-up review found that the Authority has made improvements; however, it has continued to experience delays in reoccupying vacant units, resulting in additional lost potential rental income totaling \$70,494 during the audit period. We noted the average turnaround time for reoccupying 77 vacant units was 106 days. The Authority's units continue to require extensive maintenance and many units were listed in the Authority's vacancy ledger as either in fair or poor condition. Also, vacant units that require the simplest of renovations and are the easiest to rent are prioritized for renovations. During our audit fieldwork, the Authority met with representatives from the Department of Housing and Community Development to review its vacancy issues.

In its response to this issue, the Authority acknowledged that excess vacancies have resulted in potential lost revenues, but also stated that overall vacant unit turnover has improved from the time of our prior audit. With limited resources and lack of modernization funds, the Authority continues to complete its capital work on a unit by unit basis. The Authority further stated that the Commonwealth has committed \$745,000 to aid the Authority in addressing its backlogged modernization projects.

INTRODUCTION

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 Milford Housing Authority for the period September 1, 2007 to December 31, 2009. 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 payroll, 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 and to determine whether the Authority has in place an updated official written property maintenance plan for its managed properties.
- 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.
- 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.
- The Authority's progress in addressing issues identified in our prior report (No. 2008-0722-3A).

In addition, we determined the amount of American Recovery and Reinvestment Act funds that the Authority has applied for, received, and expended.

Based on our review, we have concluded that, except for the issue addressed in the Audit Results section of this report, during the 28-month period ended December 31, 2009, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

PRIOR AUDIT RESULT UNRESOLVED - VACANT UNITS NOT REOCCUPIED WITHIN DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT GUIDELINES

Our prior audit (No. 2008-0722-3A) of the Milford Housing Authority, which covered the period February 1, 2005 to August 31, 2007, found that the Authority had delays in reoccupying its vacant housing units, resulting in the loss of potential rental income totaling \$161,364. Specifically, we noted that the Authority's average turnaround time for reoccupying 110 vacant units was 165 days. The Department of Housing and Community Development (DHCD) Property Maintenance Guide indicates that housing authorities should reoccupy vacant units within 21 working days of the unit being vacated by a tenant. Previously, the Authority's Executive Director noted that the Authority's units were older and required extensive maintenance such as kitchen, bathroom, and flooring repairs in order to prepare the units for reoccupancy. The Authority followed DHCD's recommendations contained in its Property Maintenance Guide by prioritizing the simplest vacancies, which are the easiest to rent, above those requiring more complex and time-consuming renovations. Also, the Authority used its own maintenance staff to perform many of the repairs, since it lacked the financial resources to hire outside contractors. Our prior audit recommended that the Authority continue to refurbish and reoccupy its vacant units within DHCD's timeframe.

Our follow-up review found that the Authority had made improvements; however, it continues to experience delays in reoccupying vacant units, resulting in additional lost potential rental income totaling \$70,494. We noted that the average turnaround time for reoccupying 77 vacant units was 106 days. The Authority's units continue to require extensive maintenance and many units were listed in the Authority's vacancy ledger as either in fair or in poor condition. Also, vacant units that require the simplest of renovations and are the easiest to rent are prioritized for renovation. During our audit fieldwork, the Authority met with DHCD to review its vacancy issues. DHCD is providing comprehensive training including unit inspection training operating on the assumption that a better inspection process will help reduce the need for extensive renovations. Also, DHCD will return to the Authority to inspect vacant units and help the Authority improve its vacant unit turnaround time.

Recommendation

The Authority should continue to review its vacancy issues and work to 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 its respective statutory mandates.

Auditee's Response

While the Authority has reduced unit turnaround time during the current audit period by 36%, we agree that excess vacancy time results in potential lost revenues.

With limited resources and lack of modernization funds, the Authority continues to complete its capital work on a unit by unit basis while vacant which can result in a lengthier turnaround time. Units which require the least amount of rehabilitation to reoccupy are completed prior to units needing major work.

The State Auditor completed a comprehensive review on the "Physical Condition of and Resources Allocated for the Operation and Upkeep of State Aided Public Housing" which stated, in part: "...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 MHA agrees that the availability of adequate resources continues to be the greatest obstacle in the timely rehabilitation of our public housing units.

While our operating budgets have recently been reduced by 4.7%, the Commonwealth has committed \$745,000 to the Milford Housing Authority to begin addressing the serious backlog of modernization needs. The release of these funds beginning in July 2011 should allow the Authority to commit its operating funds to routine maintenance needs including timely unit turnover as opposed to capital expenses.