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**INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
NEW BEDFORD HOUSING AUTHORITY
JULY 1, 2005 TO JUNE 30, 2008**

**OFFICIAL AUDIT
REPORT
APRIL 14, 2009**

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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 New Bedford Housing Authority for the period July 1, 2005 to June 30, 2008. 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. 2006-0732-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 36-month period ended June 30, 2008, 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 RESULTS RESOLVED

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a. Results of Inspections – Compliance with State Sanitary Code

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The Department of Housing and Community Development (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 standards for safe, decent, and sanitary housing as set forth in Chapter II of the State Sanitary Code. Our prior audit of the New Bedford Housing Authority (No. 2006-0732-3A), which covered the period July 1, 2003 to June 30, 2005, noted 135 instances of noncompliance with Chapter II of the State Sanitary Code, including malfunctioning smoke detectors, peeling and rotting porch posts, water leaks on ceilings, leaky window seals, and peeling lead paint. Our follow-up review determined that the Authority had applied for and received funding from DHCD to address the issues noted in our prior audit report. Based on this action, we have determined that the Authority has begun to take measures to comply with DHCD's requirements pertaining to safe and sanitary housing.

b. Status of Operating Subsidy Earned, Received, and Outstanding

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Our prior audit reported that operating subsidies due the Authority from DHCD for calendar year 2004 amounted to \$1,059,940. However, DHCD's subsidy records indicated that subsidy balance due the Authority amounted to \$568,941. Our follow-up review disclosed that the Authority and DHCD reconciled the stated variance and DHCD made subsidy payments totaling \$1,059,940 to the Authority. As of June 30, 2008, the Authority's accounting records reflect current subsidies due, totaling \$448,148.

2. PRIOR AUDIT RESULT UNRESOLVED - VACANT UNITS NOT REOCCUPIED WITHIN DHCD GUIDELINES**3**

DHCD'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 revealed that during the period January 1, 2003 through June 30, 2005, the Authority's average turnaround time for reoccupying vacant units was 47 days. Moreover, we found that there were over 30 vacant Family and Elderly housing units and over 800 applicants on the Authority's waiting list as of June 30, 2005. Our follow-up review disclosed that reoccupying vacant units within DHCD's guidelines remains an issue. Our review disclosed that the Authority's average turnaround time for reoccupying vacant units increased to 71 days, there were 41 vacant Family and Elderly housing units at the Authority, and there were 609 applicants on the Authority's waiting list as of June 30, 2008.

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 New Bedford Housing Authority for the period July 1, 2005 to June 30, 2008. 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.
- Site-inspection procedures and records to verify compliance with DHCD inspection requirements and that selected housing units were in a safe and sanitary condition.
- Procedures for making payments to employees for salaries, travel, and fringe benefits to verify compliance with established rules and regulations.
- 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.

- Procedures for making payments to landlords under the Massachusetts Rental Voucher Program to verify compliance with contract provisions and determine whether rental charges by landlords were consistent with established rules and regulations.
- 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.
- 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.
- 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.
- The Authority's progress in addressing the issues noted in our prior report (No. 2006-0732-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 36-month period ended June 30, 2008, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

1. PRIOR AUDIT RESULTS RESOLVED

a. Results of Inspections – Compliance with State Sanitary Code

The Department of Housing and Community Development (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 standards for safe, decent, and sanitary housing as set forth in Chapter II of the State Sanitary Code. Our prior audit of the New Bedford Housing Authority (No. 2006-0732-3A), which covered the period July 1, 2003 to June 30, 2005, noted 135 instances of noncompliance with Chapter II of the State Sanitary Code, including malfunctioning smoke detectors, peeling and rotting porch posts, water leaks on ceilings, leaky window seals, and peeling lead paint.

Our follow-up review determined that the Authority had applied for and received funding from DHCD to address the issues noted in our prior audit report. Based on this action, we have determined that the Authority has begun to take measures to comply with DHCD requirements pertaining to safe and sanitary housing.

b. Status of Operating Subsidy Earned, Received, and Outstanding

Our prior audit reported that the operating subsidies due the Authority from DHCD for calendar year 2004 amounted to \$1,059,940. However, DHCD's subsidy records indicated that the subsidy balance due the Authority amounted to \$568,941.

Our follow-up review disclosed that the Authority and DHCD reconciled the stated variance and that DHCD made subsidy payments to the Authority totaling \$1,059,940. As of June 30, 2008, the Authority's accounting records reflect current subsidies due, totaling \$448,148.

2. PRIOR AUDIT RESULT UNRESOLVED - VACANT UNITS NOT REOCCUPIED WITHIN DHCD GUIDELINES

DHCD'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 revealed that during the period January 1, 2003 through June 30, 2005, the Authority's average turnaround time for reoccupying vacant units was 47 days. Moreover, we found that there were over 30

vacant Family and Elderly housing units and over 800 applicants on the Authority's waiting list as of June 30, 2005.

Our follow-up review disclosed that reoccupying vacant units within DHCD's guidelines remains an issue. Our audit disclosed that the Authority's average turnaround time for reoccupying vacant units increased to 71 days, there were 41 vacant Family and Elderly housing units, and there were 609 applicants on the Authority's waiting list as of June 30, 2008. By not ensuring that vacant units were reoccupied within DHCD's guidelines, the Authority 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 employs 10 maintenance workers for 904 units, located at 15 separate state developments, who are responsible for the daily maintenance of occupied units as well as the refurbishment of the vacant units.

Recommendation

As the collection of tenant rents is the primary revenue source for the Authority, it should make every effort to ready its units for reoccupancy in accordance with DHCD guidelines. Moreover, the Authority should prioritize rehabilitating and reoccupying its vacant units and document the reasons for delays in filling vacant units, and regularly monitor the unit turnaround process to ensure compliance with DHCD guidelines. Also, if necessary, the Authority should apply for additional funding from DHCD to hire additional maintenance staff to assist in preparing vacant units for reoccupancy in a timely manner; encourage applications by advertising in area newspapers and contacting local social service agencies; and consider having outside contractors, if necessary and economically feasible, prepare vacant apartments for reoccupancy.

Auditee's Response

The Authority's Executive Director stated, in part:

Insufficient financial support from the State Legislature appropriation and budget allocation for operations of housing authorities from DHCD reduces the number of maintenance staff available to ensure vacant units are reoccupied within DHCD's guidelines of twenty-one working days of their being vacated by tenants.

The NBHA [New Bedford Housing Authority] has 904 state units of which 400 are elderly one-bedroom units and 504 are family units with two to four-bedroom units. Our present ten staff members do routine maintenance daily and recondition for reoccupancy an average of 145 units (15%) each year. The present ratio of 90 units to each staff member is beyond the normal housing industry ratio of 1 to 60. Until adequate operating subsidy funds are appropriated and then allocated to the New Bedford Housing Authority, the turnaround time will not meet DHCD's guideline for reoccupancy.