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**INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
PLAINVILLE HOUSING AUTHORITY
JANUARY 1, 2005 TO APRIL 30, 2007**

**OFFICIAL AUDIT
REPORT
SEPTEMBER 24, 2007**

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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 Plainville Housing Authority for the period January 1, 2005 to April 30, 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 upon our review, we have concluded that, except for the issue addressed in the Audit Results section of the report, for the areas we tested, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations during the 28-month period ended April 30, 2007.

AUDIT RESULTS**3**

EXCESSIVE VACANCIES RESULTED IN LOST POTENTIAL RENTAL INCOME OF APPROXIMATELY \$4,912

Our review identified that the Plainville Housing Authority did not fill vacant units within the timeframe established by the Department of Housing and Community Development's (DHCD) Property Maintenance Guide, which indicates that housing authorities should reoccupy units within 21 working days of their being vacated by a tenant. During the audit period the Authority experienced 18 vacancies. We found that 13 units in the 667 Elderly Program exceeded DHCD's limit for reoccupying vacant units from three to 138 days. The Executive Director stated that several factors prevented filling the vacant units in a timely manner, including the extensive time needed to rehabilitate the units. Consequently, the Authority lost the opportunity to house eligible applicants and may have lost the opportunity to earn approximately \$4,912 in potential rental income. In its response, the Authority indicated that it will try harder to prioritize the rehabilitation and reoccupancy of vacant units.

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 Plainville Housing Authority for the period January 1, 2005 to April 30, 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.
- Site-inspection procedures and records to verify compliance with DHCD inspection requirements and determine whether 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.

- 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 funds were received and disbursed in accordance with the contracts, and to determine the existence of any excess funds.
- Development awards to verify that contracts were awarded properly and 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's 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.

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 April 30, 2007, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

EXCESSIVE VACANCIES RESULTED IN LOST POTENTIAL RENTAL INCOME OF APPROXIMATELY \$4,912

Our review of the Plainville Housing Authority's vacant unit turnaround time disclosed that the Authority did not fill vacant units within the timeframe established by the Department of Housing and Community Development's (DHCD) Property Maintenance Guide. DHCD requires that housing authorities reoccupy vacant units within 21 working days of their being vacated by a tenant. During the audit period the Authority experienced 18 vacancies. We found that 13 units in the 667 Elderly Program exceeded DHCD's limit for reoccupying vacant units from three to 138 days. Consequently, the Authority may have lost the opportunity to earn approximately \$4,912 in potential rental income.

The Executive Director stated that several factors prevented the Authority from filling vacated units in a timely manner, including the following:

- Several of the vacated units were in poor condition, which required extensive time to repair, and consequently led to delays in rehabilitating other vacated units.
- Second floor units in the elderly development have been consistently turned down due to the physical limitations of the applicants.
- When a first floor unit becomes vacant, a tenant on the second floor with medical reasons transfers to the first floor unit, resulting in a second floor vacancy.
- The Authority employs one maintenance person for 20 hours per week. He is responsible for completing day-to-day maintenance projects, in addition to preparing vacant units for occupancy.
- The Authority advertised to hire outside contractors to help prepare the vacant units; however, it did not receive responses to the advertised work proposals.

We are mindful of these factors, and acknowledge that the Authority is making a good faith effort to prepare and lease units in a timely manner. By complying with DHCD's 21-day unit turnaround requirement, the Authority will improve its financial condition and also house the applicants on its waiting list for state subsidized housing in a timelier manner.

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 occupancy 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, the Authority should apply for additional funding from DHCD to hire additional maintenance staff to assist in preparing vacant units for occupancy in a timely manner.

Auditee's Response

[The Authority] disagrees with the amount of lost income of \$4,912.00. If I would have hired a painter, which we did in the past, we would have to consider the cost of the painter in the loss. Since our budgets were so tight for the last four years, we decided to save the contract expense money and put the money towards other services needed at the complex. Such as water heaters and their installation, snow removal, landscaping and apartment repairs.

Since 2004, we had 6 units painted by contractors. The cost to painting contractors was \$4,819.00. Granted the rent money did not get collected, but the contractors cost would offset the loss in rent.

Most of our applicants need to have a first floor. Very few people on the waiting list can do the stairs due to medical issues. My choices are decreased in placing applicants.

The Authority will try harder to prioritize its vacant unit turnaround timeframe.

Auditor's Reply

We commend the Authority for their efforts to reoccupy vacant units, and understand that the physical limitations of occupants compounded with limitations in budget and maintenance staff adversely affect unit turnaround time. However, we recommend that the Authority petition DHCD to obtain and provide the funds necessary to fulfill their respective statutory mandate and consider requesting funding from DHCD to adapt existing units to accommodate the physical limitations of applicants. The collection of tenant rents comprises the main revenue source for the Authority, and any maintenance costs necessary to renovate and reoccupy vacant units does not offset the potential rental income lost.