



# The Commonwealth of Massachusetts

## AUDITOR OF THE COMMONWEALTH

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**INDEPENDENT STATE AUDITOR'S REPORT  
ON CERTAIN ACTIVITIES OF THE  
RANDOLPH HOUSING AUTHORITY  
APRIL 1, 2005 TO MARCH 31, 2008**

**OFFICIAL AUDIT  
REPORT  
JANUARY 12, 2009**

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### INTRODUCTION

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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 Randolph Housing Authority for the period April 1, 2005 to March 31, 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. 2005-0763-3A).

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 March 31, 2008, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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### AUDIT RESULTS

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#### 1. PRIOR AUDIT RESULTS RESOLVED

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##### a. Tenant Rental Income

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Our prior audit of the Authority, which covered the period April 1, 2002 to September 30, 2004, noted that rent deposits were not made in a timely manner. In addition, tenants' accounts receivable could not be reconciled because the Authority's records were incomplete or nonexistent. Our follow-up review disclosed that the Authority instituted new collection procedures and that deposits are now being made daily. In addition, tenants' accounts receivables are closely monitored and reconciled on a monthly basis.

##### b. Laundry Income

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Our prior audit noted that laundry income collections were below normal, indicating potential lost revenue from Authority-owned washers and dryers. Our follow-up review revealed that the Authority instituted new written policies and procedures for the collection of laundry income. Audit testing of laundry income revealed that consistent amounts were collected on a monthly basis during our audit period.

##### c. Donated Funds

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Our prior audit noted that the Authority's Board of Directors meeting minutes revealed that the Board voted to establish a "Donation Bank Account" and open it with a \$300 transfer from the laundry proceeds. This account was to be further funded by donations from local businesses and individuals for the purpose of financing parties, flowers, and tips, for which the expenditure of state funds is unallowable. In addition, the report disclosed that \$1,430 was raised in donations from outside parties who have done business with the Authority, contrary to Department of Housing and Community Development (DHCD) regulations. Further, we found certain questionable wage-reporting violations resulting from payments funded through the laundry account. Our

follow-up review disclosed that the Authority stopped the practice of soliciting funds and has closed the “Donation Bank Account.”

**d. Internal Controls over Tenant Selection and Rent Determination** **3**

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Our prior audit disclosed that applications for tenancy and related records (i.e., the waiting list ledger, vacancy ledger, and master ledger) were incomplete, inaccurate, falsified, tampered with, improperly maintained, or recorded in pencil. Moreover, eight of the 10 tenant rent determinations tested were not accurate because supporting documentation was missing. Specifically, tenants may have been undercharged rent because not all sources of income and assets had been identified. In addition, some tenants were housed in violation of DHCD regulations, because their files lacked documentation to support local, priority, veteran, or emergency status, or that income was verified. Further, we noted several questionable placements made by the former Executive Director in which conflicts of interest may have existed. Our follow-up review disclosed that both tenant applicant files and tenant files were accurate and complete with supporting documentation.

**e. Wage Reporting** **4**

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Our prior audit noted that the Authority did not properly file the appropriate earnings information for calendar year 2003 with the United States Internal Revenue Service (IRS) and the Massachusetts Department of Revenue (DOR). Our current review disclosed that the Authority filed the proper earnings statements with the IRS and DOR, and that 1099 MISC forms were processed for all non-employees paid in excess of \$600/calendar year.

**f. Controls Over Contracted Services** **4**

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Our prior audit found that the Authority paid for services such as painting and landscaping as contract services, although it had not solicited quotes for those services. It also disclosed that in some cases, the Authority’s maintenance employees performed the above contract work, which consisted of routine and ordinary tasks that should have been considered part of the maintenance workers’ regular job requirement. Our follow-up review disclosed that this practice has been eliminated. When outside contractors are needed, the Authority now follows its written policies and procedures for soliciting quotes.

**g. Controls over Furniture and Equipment** **4**

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Our prior audit revealed that no inventory records were maintained and that increases or decreases to inventory were not reflected in the Furniture and Equipment Account on the Authority’s balance sheet or general ledgers. Our follow-up review disclosed that the Authority now maintains a complete inventory list and that it is properly reflected on the financial statements.

**h. Safety and Security Issues** **5**

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Our prior audit noted that the Authority experienced several break-ins, break-in attempts, and an apparent arson attempt during the audit period. Illegal entries were made into tenant apartments, the administration office, and the maintenance department shop and office, and there were reports of illegal drug activity on Authority property

involving tenants and employees. Our follow-up review disclosed that the Executive Director has taken steps such as changing all locks several times and has established a good working relationship with the Randolph Police Department, in an attempt to deter crime at the Authority properties.

**i. Administrative, Accounting, and Management Controls** **5**

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Our prior audit disclosed that the Authority lacked a documented system of approved policies, procedures, and practices for all phases of its operations, including cash management, inventory, purchasing, hiring, tenant selection, and rent determinations. Our current review disclosed that the Authority has implemented a clear set of policies and procedures that are consistent with sound business practices and DHCD regulations.

**j. Governance, Oversight, and Monitoring** **5**

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Our prior audit revealed that the various problems at the Authority resulted from a severe breakdown of the system of controls and checks and balances (i.e., governance) that should be exercised by the Board of Directors in fulfilling its fiduciary responsibility to set policy, give direction, and monitor and oversee the activities of the Authority. These responsibilities are intended to ensure that the Authority's fiscal affairs and operations are conducted in compliance with applicable laws, rules, and regulations. Generally accepted government auditing standards require officials and employees who manage public programs to render an accounting of their activities so that the public can be assured that government funds are being handled properly and in accordance with applicable laws, rules, and regulations. Our follow-up review disclosed that although the Authority is short one Board Member, (the State Appointee), they have managed to have a quorum at each board meeting. In addition, the Executive Director has implemented plans, policies, and practices to correct the prior problems at the Authority and minimize the recurrence of said issues.

**k. Other Questionable Practices** **6**

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Our prior audit stated that the prior Executive Director used his office computer for his private realty business as well as used his privately owned property for questionable Section 8 funding from the Avon Housing Authority. Our follow-up review disclosed that the present Executive Director stopped this practice and implemented a computer usage policy for all employees.

**2. PRIOR AUDIT RESULT PARTIALLY RESOLVED - REOCCUPANCY OF VACANT UNITS WITHIN DHCD GUIDELINES** **6**

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DHCD's Property Maintenance Guide indicates that housing authorities should reoccupy units within 21 working days of their being vacated by a tenant. Our prior audit found that during the period April 1, 2002 through September 30, 2004, vacancy ledgers were not properly maintained and could not be relied upon to determine the turnaround time for reoccupying vacant units. Our current review disclosed that as of March 31, 2008, there were 12 vacant units at the Authority's 667 Elderly Programs and 45 applicants on the Authority's waiting list.

Although the Authority has improved the maintenance of its vacancy ledger and waiting lists and has improved the manner in which units are turned over, further improvements are still needed. Our follow-up review revealed that the vacant turnaround time ranged

from 25 to 202 days during the current audit period. The Executive Director stated that several factors prevented the Authority from filling vacated units in a timely manner, including the fact that it employs only three maintenance people to service 236 units located at three different developments. The Authority should request funding from DHCD to hire additional personnel for its maintenance needs. It should also consider having outside contractors, if necessary and economically feasible, prepare vacant apartments for reoccupancy. In its response, the Authority indicated that it has initiated action to remedy this issue.

## 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 Randolph Housing Authority for the period April 1, 2005 to March 31, 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 tenants' 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 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 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.
- Procedures for making payments to landlords under the Massachusetts Rental Voucher Program to verify compliance with contract provisions and that rental charges by landlords were consistent with established rules and regulations.
- 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'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.
- 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.
- The Authority's progress in addressing the issues noted in our prior report (No. 2005-0763-3A).

Based on our review, we have concluded that, except for the issue addressed in the Audit Results section of this report, during the 36-month period ended March 31, 2008, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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## AUDIT RESULTS

### 1. PRIOR AUDIT RESULTS RESOLVED

#### a. Tenant Rental Income

Our prior audit (No. 2005-0763-3A) disclosed that the Randolph Housing Authority's rent deposits were not made in a timely manner. In addition, tenants accounts receivable could not be reconciled because the Authority's records were incomplete or nonexistent. Our follow-up review noted that the Authority instituted new collection procedures and that deposits are now being made daily. In addition, tenants' accounts receivables are closely monitored and reconciled on a monthly basis.

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Our prior audit disclosed that the Authority's Board of Directors meeting minutes revealed that the Board voted to establish a "Donation Bank Account" and open it with a \$300 transfer from the laundry proceeds. This account was to be further funded by donations from local businesses and individuals for the purpose of financing parties, flowers, and tips, for which the expenditure of state funds is unallowable. In addition, the report disclosed that \$1,430 was raised in donations from outside parties who have done business with the Authority, contrary to Department of Housing and Community Development (DHCD) regulations. Further, we found certain questionable wage-reporting violations resulting from payments funded through the laundry account. Our follow-up review disclosed that the Authority stopped the practice of soliciting funds and has closed the "Donation Bank Account."

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improperly maintained, or recorded in pencil. Moreover, eight of the 10 tenant rent determinations tested were not accurate because supporting documentation was missing. Specifically, tenants may have been undercharged rent because all sources of income and assets had not been identified. In addition, some tenants were housed in violation of DHCD regulations, because their files lacked documentation to support local, priority, veteran, or emergency status, or that income was verified. Further, we noted several questionable placements made by the former Executive Director in which conflicts of interest may have existed.

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**e. Wage Reporting**

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**f. Controls Over Contracted Services**

Our prior audit disclosed that the Authority had a practice of paying for services such as painting and landscaping as contract services, although it had not solicited quotes for those services. It also disclosed that in some cases, the Authority's maintenance employees performed the above contract work, which consisted of routine and ordinary tasks that should have been considered part of the maintenance workers' regular job requirement. Our follow-up review disclosed that this practice has been eliminated. When outside contractors are needed, the Authority now follows its written policies and procedures for soliciting quotes.

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#### **i. Administrative, Accounting, and Management Controls**

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#### **j. Governance, Oversight, and Monitoring**

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implemented plans, policies, and practices to correct the prior problems at the Authority and minimize the recurrence of said issues.

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Although the Authority has improved the maintenance of its vacancy ledger and waiting lists and has improved the manner in which units are turned over, further improvements are still needed. Our follow-up review revealed that the vacant turnaround time ranged from 25 to 202 days during the current audit period, when the Authority experienced 68 vacancies. Consequently, the Authority may have lost the opportunity to earn additional 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 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 and required extensive time to repair, which consequently led to delays in rehabilitating other vacated units.

- The Authority employs only three maintenance people to service 236 units located at three different developments. These employees are responsible for completing day-to-day maintenance projects and emergencies as well as preparing vacant units for reoccupancy.
- The Authority has a long waiting list, and several applicants have either found other housing, turned down the units, or are no longer residing at the address and phone number listed on their applications.

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. However, 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 reoccupancy in accordance with DHCD guidelines. Moreover, the Authority should prioritize rehabilitating and reoccupying its vacant units, 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 reoccupancy in a timely manner, and consider having outside contractors, if necessary and economically feasible, prepare vacant apartments for reoccupancy.

### ***Auditee's Response***

The Authority's Executive Director responded, in part:

*The Randolph Housing Authority employs 3 maintenance men. They are responsible for the day to day maintenance 236 units of all elderly housing. Maintenance emergencies are the first priority of the maintenance staff. As the buildings are getting older there are more frequent emergencies that arise and are time consuming. The next priority is the vacancy work. We have a very large turnover of residents. We are experiencing a 30% vacancy rate annually. Most of the vacancy work is done by our own maintenance department. Flooring is usually contracted out when needed.*

*It would be beneficial to the authority if it had the funds and ability to hire one more maintenance man. The Department of Housing has set the number of maintenance men that an agency has in accordance with the number of units that an agency has. It is one maintenance man for every 80 units of housing on the elderly side. The buildings are much older now and are in need of more maintenance than when they were first constructed. The 21 day turnaround time is not a realistic one without the help of more*

*maintenance employees. To our knowledge there is not a mechanism in place to request more funding from the Department.*

*We are making every effort to make sure that the units are prepared in an appropriate and timely manner. We have contacted outside contractors in regards to helping out with the vacancy preparedness. We have also used them on several occasions.*