



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report-Issued November 8, 2013

Rockland Housing Authority

For the period January 1, 2010 through June 30, 2012





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Rita M. Howes, Chair
Rockland Housing Authority
8 Studley Court
Rockland, MA 02370

Dear Chairwoman Howes:

I am pleased to provide this performance audit of the Rockland Housing Authority. This report details the audit objectives, scope, methodology, finding, and recommendations for the audit period, January 1, 2010 through June 30, 2012. My audit staff discussed the contents of this report with management of the Authority.

I would also like to express my appreciation to the Rockland Housing Authority for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMBump".

Suzanne M. Bump
Auditor of the Commonwealth

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EXECUTIVE SUMMARY

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 Rockland Housing Authority for the period January 1, 2010 through June 30, 2012.

The objectives of our audit were to review and analyze the Authority's internal controls over its procurement of goods and services and to determine whether its procurement activities were efficient and in compliance with the Department of Housing and Community Development's (DHCD's) procurement guidelines and laws, rules, and regulations applicable to state-aided housing programs.

Based on our audit, we have concluded that, for the period January 1, 2010 through June 30, 2012, except for the issue addressed in the Detailed Audit Results and Findings section of this report, the Authority maintained adequate internal controls in the areas tested and conducted its procurements in an efficient manner in compliance with DHCD guidelines and applicable laws, rules, and regulations.

Summary of Finding

During our review of the Authority's internal controls over its procurement of goods and services, we became aware that the Authority did not have a written inventory of its property and equipment as required by DHCD. The Authority's executive director stated that floods in 2010 destroyed both the written and the electronic versions of the inventory. She stated that the Authority is currently in the process of conducting a physical count of its property and equipment and setting up a permanent inventory list in both handwritten and electronic form. The Authority has also engaged an outside computer company to back up all of its accounting records, including the property and equipment inventory list, in order to prevent a repeat incident of lost records. However, without an up-to-date inventory list that is verified annually, there is inadequate assurance that the Authority's property and equipment are adequately safeguarded against loss, theft, and misuse.

Recommendations

The Authority should:

- Ensure that more than one employee is trained in inventory maintenance activities, i.e., able to conduct physical inventory counts of property and equipment and accordingly able to reconcile the results to the permanent inventory record.
- Engage an outside computer company to back up all of its accounting records, including the property and equipment inventory list.
- Conduct physical counts annually, following up on unaccounted-for items and adjusting the permanent record by removing discarded items.
- Reconcile results from physical counts to accounting records and the balance sheet.

OVERVIEW OF AUDITED AGENCY

Background

The Rockland Housing Authority is authorized by and operates under the provisions of Chapter 121B of the Massachusetts General Laws, as amended. The Authority's management office is located at 8 Studley Court in Rockland. The Authority oversees 42 units of state housing for the elderly, 21 units of leased housing under the Massachusetts Rental Voucher Program / Alternative Housing Voucher Program, 40 units of federal public housing, and 145 units under the federal Section 8 Housing Choice Voucher Program.

AUDIT OBJECTIVES, SCOPE, 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 Rockland Housing Authority for the period January 1, 2010 through June 30, 2012.

The objectives of our audit were to review and analyze the Authority's internal controls over its procurement of goods and services and to determine whether its procurement activities were efficient and in compliance with the Department of Housing and Community Development's (DHCD's) procurement guidelines and laws, rules, and regulations applicable to state-aided housing programs.

To accomplish our audit objectives, we reviewed the Authority's procurement policies and procedures to verify that they include criteria for compliance with the state's public bidding law (Chapter 30B of the General Laws) and DHCD guidelines. We selected non-statistical samples of purchases of equipment and other commodities made during the audit period to evaluate the Authority's efforts to obtain the best value; to verify compliance with the purchasing requirements of Chapter 30B and with DHCD contract requirements; and to determine whether the Authority is coordinating with other local entities, such as municipalities, school departments, or regional planning organizations, to purchase goods and services collectively in order to take advantage of potential cost savings through bulk purchasing.

We conducted a limited review of the internal controls related to our audit objectives in accordance with generally accepted government auditing standards. Our evaluation of internal controls was not designed to provide assurance regarding the effectiveness of the internal control structure as a whole.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We did not rely on computer-processed data for our audit. Instead, we relied on data such as hardcopy source documents and interviews as supporting documentation on which we based our conclusions.

Based on our audit, we have concluded that, for the period January 1, 2010 through June 30, 2012, except for the issue addressed in the Detailed Audit Results and Findings section of this report, the Authority maintained adequate internal controls in the areas tested and conducted its procurements in an efficient manner in compliance with DHCD guidelines and applicable laws, rules, and regulations.

DETAILED AUDIT RESULTS AND FINDINGS WITH AUDITEE'S RESPONSE

Inadequate Controls over Property and Equipment Inventory

During our review of the Rockland Housing Authority's internal controls over its procurement of goods and services, we became aware that the Authority did not have a written inventory of its property and equipment as required by the Department of Housing and Community Development's (DHCD's) Accounting Manual guidelines. The Authority's executive director stated that floods in 2010 destroyed both the written inventory records and their electronic version, which was maintained on the Authority's bookkeeper's computer. The contents of the Authority's office were unsalvageable, and the Authority did not have a contingency plan in place, such as the backing up of the inventory record to an off-site location, that could have reproduced the lost inventory records. The executive director added that she engaged a computer company to try to retrieve the inventory records from the damaged computer, but the effort was not successful.

DHCD requires housing authorities to maintain a formal inventory system for their furniture and equipment. DHCD's Accounting Manual, Section 15(D), states the following:

The inventory procedures are as follows:

- 1. Establish Furniture and Equipment Record Cards or use an automated system.*
- 2. Tag all equipment with an inventory tag with an assigned asset number.*
- 3. Take an inventory once a year.*

Procedures for Inventory of Furniture and Equipment

- 1. A physical inventory of all Furniture and Non-Expendable Equipment must be taken and an inventory list maintained each year.*
- 2. Physical inventory results must be compared to equipment records and any differences and discrepancies will be reviewed by the LHA (local housing authority) for possible adjustments.*

Without an up-to-date inventory list that is verified annually, there is inadequate assurance that the Authority's property and equipment are adequately safeguarded against loss, theft, and misuse.

The executive director stated that the bookkeeper, who was responsible for updating the inventory every year, left the Authority soon after the flood and was not replaced until about 18 months later. The Authority's delay in hiring a bookkeeper was due to other matters taking precedence, such as readying the dwelling units of the flooded property for occupancy.

The executive director further stated that the Authority is currently in the process of conducting a physical count of its property and equipment and setting up a permanent inventory list in both handwritten and electronic form. The Authority has also engaged an outside computer company to back up all of its accounting records, including the property and equipment inventory list, in order to prevent a repeat incident of lost records.

Recommendations

The Authority should:

- Ensure that another employee is trained in inventory maintenance activities, i.e., able to conduct physical inventory counts of property and equipment and accordingly able to reconcile the results to the permanent inventory record.
- Engage an outside computer company to back up all of its accounting records, including the property and equipment inventory list.
- Conduct physical counts annually, following up on unaccounted-for items and adjusting the permanent record by removing discarded items.
- Reconcile results from physical counts to accounting records and the balance sheet.

Auditee's Response

In response to this issue, the chair of the Authority's board of commissioners stated, in part,

We have conducted a physical inventory and updated the custodial inventory.

The Capitalized Inventory does agree with the Balance Sheet.

Our Bookkeeper is being trained to update and [the computer company] is still backing up our system daily.

Auditor's Reply

We believe that the actions taken by the Authority demonstrate its responsiveness to our concerns on this matter and should help to ensure that its inventory of furniture and equipment is adequately safeguarded against loss, theft, and misuse.