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**INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
SALISBURY HOUSING AUTHORITY
JANUARY 1, 2006 TO JUNE 30, 2008**

**OFFICIAL AUDIT
REPORT
MAY 13, 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 Salisbury Housing Authority for the period January 1, 2006 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. We also conducted a follow-up review of the Authority's progress in addressing the issues noted in our prior audit report (No. 2006-0834-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 30-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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STATUS OF PRIOR AUDIT RESULTS

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Our prior audit of the Authority disclosed several instances of noncompliance with Chapter II of the State Sanitary Code and the Department of Housing and Community Development's (DHCD) Property Maintenance Guide. Specifically, our prior audit disclosed (a) certain housing units were not in compliance with the State Sanitary Code, (b) the Authority did not receive funding for modernization requests from DHCD, and (c) the Authority had not established an official written property maintenance plan. Our follow-up audit disclosed that although the Authority has taken action to remedy these issues, additional action was needed, as discussed below.

a. Results of Inspection - Noncompliance with State Sanitary Code

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DHCD's Property Maintenance Guide, Chapter 3(F), requires that inspections of housing 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 disclosed 43 instances of noncompliance with the State Sanitary Code, including peeling paint on walls and ceilings, water stains and damage to ceilings and walls, broken doors, inadequate lighting, broken/worn windows, and worn kitchen cabinets and countertops. Our follow-up review determined that, although the Authority had addressed some of these prior issues, 21 instances of noncompliance with the State Sanitary Code remained.

b. Modernization Initiatives Not Funded

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Our prior audit found that the Authority had applied to DHCD for funding for three capital modernization projects for its state-aided properties; however, these requests were not funded by DHCD during the prior audit period. Our follow-up review indicated that although DHCD provided emergency funding for roof repairs, it had not

funded the Authority's modernization initiative requests for replacement of kitchen cabinets, countertops, and windows.

c. Official Written Property Maintenance Plan Implemented **4**

Our prior audit found that the Authority had not incorporated DHCD's Property Maintenance Guide into its policies and procedures and did not have an official written preventive maintenance plan to inspect, maintain, repair, and upgrade its existing housing units. Our follow-up review determined that the Authority has implemented a written preventive maintenance program that incorporates DHCD's Property Maintenance Guide into its policies and procedures.

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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 Salisbury Housing Authority for the period January 1, 2006 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 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.
- 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.
- 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. 2006-0834-3A), which covered the period July 1, 2003 to June 30, 2005.

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 30-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

STATUS OF PRIOR AUDIT RESULTS

Our prior audit (No. 2006-0834-3A) of the Salisbury Housing Authority disclosed several instances of noncompliance with Chapter II of the State Sanitary Code and the Department of Housing and Community Development's (DHCD) Property Maintenance Guide. Specifically, our prior audit disclosed (a) certain housing units were not in compliance with the State Sanitary Code, (b) the Authority did not receive funding for modernization requests from DHCD, and (c) the Authority had not established an official written property maintenance plan. Our follow-up audit disclosed that although the Authority has taken action to remedy these issues, additional action was needed, as discussed below.

a. Results of Inspections - Noncompliance with State Sanitary Code

DHCD's Property Maintenance Guide, Chapter 3(F), requires that inspections of housing 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 disclosed 43 instances of noncompliance with the State Sanitary Code, including peeling paint on walls and ceilings, water stains and damage to ceilings and walls, broken doors, inadequate lighting, broken/worn windows, and worn kitchen cabinets and countertops. Our follow-up review determined that, although the Authority had addressed some of these prior issues, 21 instances of noncompliance with the State Sanitary Code remained. The Appendix of this report summarizes the current status of the conditions noted in our prior audit.

b. Modernization Initiatives Not Funded

Our prior audit found that the Authority had applied to DHCD for funding for three capital modernization projects for its state-aided properties; however, these requests were not funded by DHCD during the prior audit period. Our follow-up review indicated that although DHCD provided funding for roof repairs, it had not funded the Authority's modernization initiative requests for the replacement of kitchen cabinets, countertops, and windows.

Deferring or denying needed modernization funding may result in further deteriorating conditions that could render the units and buildings uninhabitable. If the Authority does not receive funding to correct these conditions (which have been reported to DHCD), additional

emergency situations may occur, and the Authority's ability to provide safe, decent, and sanitary housing for its elderly tenants could be seriously compromised. Lastly, deferring the Authority's modernization needs into future years will only cost the Commonwealth's taxpayers additional money due to inflation, higher wages, and other related costs.

c. Official Written Property Maintenance Plan Implemented

Our previous audit found that the Authority had not incorporated DHCD's Property Maintenance Guide into its policies and procedures and did not have an official written preventive maintenance plan to inspect, maintain, repair, and upgrade its existing housing units. Our follow-up review determined that the Authority has implemented a written preventive maintenance program that incorporates DHCD's Property Maintenance Guide into its policies and procedures.

Recommendation

We recommend that the Authority continue to appeal to DHCD for funding to address its modernization needs. DHCD should obtain and provide sufficient funds to the Authority in a timely manner to remedy these issues so that it may provide safe, decent, and sanitary housing for its tenants.

Auditee's Response

The Authority concurred with the contents of this report, but chose not to submit a written response.

APPENDIX

Current Status of State Sanitary Code Noncompliance Noted

667-1 Elderly Housing Development: Great Meadow Village

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>	<u>Corrected</u>
23 Beach Road, #A11	Living room – Window is missing lock	105 CMR 410.480	N
	Dwelling unit – All windows have worn or broken seals and are in disrepair	105 CMR 410.500	N
	Kitchen – Worn-out countertops and damaged cabinets	105 CMR 410.100	N
23 Beach Road, #B11	Building exterior – Weather stripping hinders entry door from closing properly	105 CMR 410.551	Y
	Porches, stairs, and railings are not properly lit	105 CMR 410.253	Y
	Hall light fixtures hanging from ceiling	105 CMR 410.253	Y
	Porches, stairs, and railings are not properly lit	105 CMR 410.253	Y
	Dwelling unit – All windows have worn or broken seals and are in disrepair	105 CMR 410.500	N
	Bath – Ceiling has loose plaster, peeling paint, and water stains	105 CMR 410.500	Y
	Kitchen – Stove is in disrepair	105 CMR 410.100	Y
	Worn-out countertops and damaged cabinets	105 CMR 410.100	N
	Bedroom – Door seal is missing	105 CMR 410.500	Y
23 Beach Road, #B12	Dwelling unit – All windows have worn or broken seals and are in disrepair	105 CMR 410.500	N

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>	<u>Corrected</u>
	Screens have holes, are not in good condition and are held in place with duct tape	105 CMR 410.551	N
	Living room - Ceiling has loose plaster, peeling paint, and water stains	105 CMR 410.500	Y
	Kitchen – Worn-out countertops and damaged cabinets	105 CMR 410. 100	N
23 Beach Road, #C5	Dwelling unit – All windows have worn or broken seals and are in disrepair	105 CMR 410.500	N
	Bedroom – Broken window falls inward when unlocked	105 CMR 410.480	N
	Kitchen - Worn-out countertops and damaged cabinets	105 CMR 410.100	N
23 Beach Road, #C7	Dwelling unit – All windows have worn or broken seals and are in disrepair	105 CMR 410.500	N
	Living room – Ceiling has loose plaster, peeling paint, and water stains	105 CMR 410.500	Y
	Bath – Ceiling has loose plaster, peeling paint, and water stains	105 CMR 410.500	Y
	Kitchen – Worn-out countertops and damaged cabinets	105 CMR 410.100	N
23 Beach Road, # C14	Dwelling unit – All windows have worn or broken seals and are in disrepair	105 CMR 410.500	N
	Kitchen – Worn-out countertops and damaged cabinets	105 CMR 410. 100	N
23 Beach Road, #E1	Bedroom - Door is broken	105 CMR 410.500	Y
	Bath – Floor is in disrepair	105 CMR 410.500	Y
	Dwelling unit – All windows have worn or broken seals and are in disrepair	105 CMR 410.500	N
	Kitchen - Ceiling has loose plaster, peeling paint, and water stains	105 CMR 410.500	Y
	Worn-out countertops and damaged cabinets	105 CMR 410.100	N

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>	<u>Corrected</u>
	Bath – Toilet, bathtub, and shower in need of repair	105 CMR 410.150	Y
23 Beach Road, #E3	Living room – Floor is in disrepair	105 CMR 410.500	Y
	Window has no lock	105 CMR 410.480	N
	Kitchen – Walls are in disrepair, peeling paint	105 CMR 410.500	Y
	Worn-out countertops and damaged cabinets	105 CMR 410. 100	N
	Dwelling unit – Unsecured windows	105 CMR 410.480	N
	Bath – Toilet, bathtub, and shower in need of repair	105 CMR 410.150	Y
23 Beach Road, #E11	Living Room – Broken electrical switch cover	105 CMR 410.750	Y
23 Beach Road, #E12	Broken kitchen window seals	105 CMR 410.500	N
23 Beach Road, #14	Damaged bathroom floor tiles	105 CMR 410.150	Y
23 Beach Road,	Community Area Building E Walls have water damage	105 CMR 410.500	Y
23 Beach Road,	Community Building Heating units on walls have peeling paint	105 CMR 410.500	Y
	Ceiling has water damage	105 CMR 410.500	Y

Y=Yes

N=No