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**INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
WAREHAM HOUSING AUTHORITY
MARCH 1, 2006 TO MARCH 31, 2008**

**OFFICIAL AUDIT
REPORT
JANUARY 23, 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 Wareham Housing Authority for the period March 1, 2006 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.

Based upon our review, we have concluded that, except for the issues addressed in the Audit Results section of the report, during the 25-month period ended March 31, 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. ATTENDANCE OF BOARD MEETINGS

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Our audit revealed that, contrary to Chapter 39, Section 23B, of the General Laws, the Authority did not have a quorum, and therefore did not meet, for eight of its scheduled 25 Board of Directors meetings during the audit period. Moreover, we found that the Authority's board did not have a state-appointed member as required. As a result, the board did not exercise consistent oversight and approval of cash disbursements, contracts, and other business actions of the Authority. In its response, the Authority indicated that it has taken action to resolve this issue.

2. RESULT OF INSPECTIONS – NONCOMPLIANCE WITH STATE SANITARY CODE

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The Department of Housing and Community Development's (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 inspection of the Authority's Agawam Village (Elderly 667-1) development revealed 55 instances of noncompliance with Chapter II of the State Sanitary Code. In addition, our inspection of the Authority's Redwood Park (Elderly 667-2) development noted seven instances of noncompliance with Chapter II of the State Sanitary Code. In its response, the Authority indicated that it is working with DHCD to resolve this issue.

3. IMPROVEMENTS NEEDED IN FINANCIAL RECORDKEEPING AND REPORTING

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DHCD's Accounting Manual requires local housing authorities to properly maintain books of original entry, including a cash receipts journal, a cash disbursements journal, and a general journal as well as a general ledger. The books of original entry must support the financial statements that are submitted to DHCD. Financial reports also require the disclosure of all open modernization project work plans. Our audit revealed several instances of inadequate financial recordkeeping and reporting. As a result, the

Authority was unable to provide detailed transactions that support general ledger entries, support for account balances that were reported on year-end financial statements, and the proper disclosure of open modernization project work plans. In its response, the Authority indicated that it has taken action to resolve this issue.

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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 Wareham Housing Authority for the period March 1, 2006 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 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 that 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.

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 25-month period ended March 31, 2008, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

1. ATTENDANCE OF BOARD MEETINGS

Our audit revealed that the Wareham Housing Authority did not have a quorum, and therefore did not meet, for eight of its scheduled 25 Board of Directors meetings during the audit period. As a result, the board did not exercise consistent oversight and approval of cash disbursements, contracts, and other business actions of the Authority.

Chapter 39, Section 23B, of the Massachusetts General Laws requires public entities such as housing authorities to hold and document meetings that are open to the public to ensure that citizens of the Commonwealth have the opportunity to be aware of the activities that are being conducted by agencies that are subsidized with public funds.

Moreover, we noted that the Authority's Board of Directors should consist of four elected members and one state-appointed member. However, for the 25-month period reviewed, the Board of Directors did not have a state-appointed member and consisted of only the four elected members. As a result, it is difficult for the board to provide the necessary oversight and guidance to ensure proper oversight of the Authority's day-to-day operations.

Recommendation

The Authority should seek advice from the Department of Housing and Community Development (DHCD) on the proper procedure for filling the state-appointed position, which may ensure the likelihood that a quorum is present so that the Authority can comply with Chapter 39, Section 23B, of the General Laws by meeting regularly, achieving a quorum, and fully documenting detailed minutes for all regular and executive board meetings.

Auditee's Response

Our Board of Directors has requested the Department of Housing and Community Development assistance in filling the State Appointee's seat. We hope to have this seat filled as soon as possible so the Board of Director's can meet on a regular month to month basis.

2. RESULT OF INSPECTIONS – NONCOMPLIANCE WITH STATE SANITARY CODE

DHCD's 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 inspection of the Authority's Agawam Village (Elderly 667-1) development revealed 55 instances of noncompliance with Chapter II of the State Sanitary Code, including missing, warped, broken, and rotting shingles on the exterior sidings; rotted window frames and cracked exterior landings; cracked sidewalks; roadway and sidewalks in general disrepair; and interior floors that are cracked and reportedly contain asbestos. In addition, our inspection of the Authority's Redwood Park (Elderly 667-2) development noted seven instances of noncompliance with Chapter II of the State Sanitary Code, including loose baseboards, cracked flooring, missing screens, and rust in bathroom sinks. (Appendix I of our report summarizes the specific State Sanitary Code violations noted, and Appendix II includes photographs documenting the conditions found.)

The photographs presented in Appendix II illustrate the pressing need to address the conditions noted, since postponing the necessary improvements would require greater costs at a future date, and may result in the properties not conforming to minimum standard for safe, decent, and sanitary housing.

Recommendation

The Authority should apply for funding from DHCD to address the issues noted during our inspections of the interior (dwelling units) and exterior (buildings) of the Authority, as well as other issues that need to be addressed. In addition, the Authority should request that DHCD conduct a thorough inspection of the properties to verify the Authority's maintenance or repair needs and to assist in providing safe, decent, and sanitary housing to all tenants.

Auditee's Response

Department of Housing and Community Development is aware of the Noncompliance of State Sanitary Code at both Agawam Village and Redwood Park. DHCD and WHA are working to obtain Modernization Funds through the Capital Improvement Systems to provide safe and decent housing to both Agawam and Redwood.

3. IMPROVEMENTS NEEDED IN FINANCIAL RECORDKEEPING AND REPORTING

DHCD's Accounting Manual requires local housing authorities to properly maintain books of original entry, including a cash receipts journal, a cash disbursements journal, and a general

journal as well as a general ledger. The books of original entry must support the financial statements that are submitted to DHCD. Financial reports also require the disclosure of all open modernization project work plans.

Our audit revealed several instances where improvements were needed in financial recordkeeping and reporting. The following conditions were found:

- The financial statements issued to DHCD did not agree with the balances in the general ledger.
- The Authority does not maintain a hard copy of its year-end general ledger.
- The Authority does not maintain a monthly cash receipts journal, a cash disbursements journal, or an accurate general journal.
- There is no pre-closing or post-closing trial balance or general ledger.
- There are no supporting accounts receivable schedules that support receivable balances.
- Some transactions, consisting of travel, conference fees, and accounting expenses, were misclassified and reported as administrative expenses.
- The financial statements reported to DHCD did not disclose any compensated absences, although the Executive Director maintains such a schedule.
- Modernization project work plans that were still open during the audit period were not disclosed in the Authority's financial statements.

As a result of these issues, the Authority was unable to provide us with detailed transactions that support general ledger entries, account balances that were reported on year-end financial statements, and the proper disclosure of open modernization project work plans.

Recommendation

The Authority should have available all books of original entry that are prepared and maintained by its fee accountant in addition to all supporting schedules. The Authority should ensure that quarterly and year-end financial statements reconcile with its general ledger before submitting these statements to DHCD. The financial statements also require disclosure of all modernization project work plans that have not yet been finalized by DHCD. These schedules should be attached to quarterly and year-end financial statements.

Auditee's Response

The Wareham Housing Authority has informed the Fee Accountant he is to keep all supporting documents in one location. The financial statements and general ledgers are to be processed in the office of the Authority. All reports will be and reviewed by the Executive Director and the Board of Directors before being submitted to DHCD. The WHA's Board of Directors will renegotiate the duties of the Fee Accountant when his/her contract is renewed.

Modernization project has been closed.

APPENDIX I

State Sanitary Code Noncompliance Noted

Agawam Village 667-1 Development

Noncompliance

Regulation

Unit-32

- | | |
|--|-----------------|
| 1. Front door backstop needs repair | 105 CMR 410.500 |
| 2. Rust in bathroom sink drain | 105 CMR 410.351 |
| 3. Shingles need to be replaced | 105 CMR 410.500 |
| 4. Original floor tiles made of asbestos | 105 CMR 410.353 |

Unit-41

- | | |
|--|-----------------|
| 5. Living room window does not stay up | 105 CMR 410.501 |
| 6. Rust in bathroom sink drain | 105 CMR 410.351 |
| 7. Rust on kitchen stove | 105 CMR 410.352 |
| 8. Kitchen floor is cracked. | 105 CMR 410.504 |
| 9. Shingles need to be replaced | 105 CMR 410.500 |

Unit-58

- | | |
|---------------------------------------|-----------------|
| 10. Chips and cracks in bedroom floor | 105 CMR 410.504 |
|---------------------------------------|-----------------|

Unit-35

- | | |
|-------------------------------------|-----------------|
| 11. Back step is crumbling | 105 CMR 410.500 |
| 12. Kitchen window frame is rotting | 105 CMR 410.501 |
| 13. Shingles are rotting | 105 CMR 410.500 |

Unit-48

- | | |
|--|-----------------|
| 14. Front entrance landing concrete is crumbling | 105 CMR 410.500 |
| 15. Font entrance landing is cracked | 105 CMR 410.500 |
| 16. Wood shingles rotting | 105 CMR 410.500 |
| 17. Wood shingles rotting in back of unit | 105 CMR 410.500 |
| 18. Window frame and sill rotting | 105 CMR 410.501 |

Unit-43

- | | |
|--|-----------------|
| 19. Back concrete landing is cracked and crumbling | 105 CMR 410.500 |
| 20. Window sill, frame, and siding rotting | 105 CMR 410.501 |

Unit-56

- | | |
|--|-----------------|
| 21. Steel bar used to prevent crumbling of front landing | 105 CMR 410.500 |
|--|-----------------|

Unit-55

- | | |
|--|-----------------|
| 22. Sidewalk settled away from first step. (9" drop) | 105 CMR 410.750 |
| 23. Crack in foundation | 105 CMR 410.500 |
| 24. Kitchen window in need of repair | 105 CMR 410.501 |

Noncompliance**Regulation**

25. Dark corner behind back entrance door-no lighting	105 CMR 410.351
26. Bathroom floor in disrepair	105 CMR 410.504
27. Nails used to hold floor tiles down.	105 CMR 410.504
28. Nails used to hold down kitchen floor tiles	105 CMR 410.504
29. Crack in living room floor	105 CMR 410.504
30. Cracks in concrete rear landing.	105 CMR 410.500
31. Back windowsill and frame rotting.	105 CMR 410.501

Community Room

32. Cracked sidewalk beside community room	105 CMR 410.750
33. Rear entrance steps rusted and cracked	105 CMR 410.500

Unit-14

34. Rear landing is cracked	105 CMR 410.500
35. Side of unit - shingles are rotting away	105 CMR 410.500
36. Rotted trim board from sidewall fell onto roof	105 CMR 410.500
37. Bulkhead rust	105 CMR 410.500
38. Bulkhead foundation is cracking	105 CMR 410.500

Unit-12

39. Wood shingles rotting and missing	105 CMR 410.500
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Unit-11

40. Shingles are missing and rotting from side of unit	105 CMR 410.500
41. Shingles are missing and rotting from front of unit	105 CMR 410.500

Unit-12

42. Sidewalk and steps cracked and high drop in front	105 CMR 410.750
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Unit-16

43. Shingles wearing away and window sill/frame rotting.	105 CMR 410.500
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Unit-18

44. Shingles rotting - side of unit	105 CMR 410.500
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Unit-23

45. Storm door rusted	105 CMR 410.500
46. Front landing cracked	105 CMR 410.500

Unit-24

47. Front landing cracked	105 CMR 410.500
48. Sidewalk erosion pulling away from landing step	105 CMR 410.750

Unit-46

49. Window sill broken	105 CMR 410.501
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Noncompliance**Regulation**

Unit-42

- 50. Front landing cracked
- 51. Dip in sidewalk collects water

105 CMR 410.500
105 CMR 410.750

Bldg#3 (Boiler room)

- 52. Shingle rot on boiler room

105 CMR 410.500

Unit-38

- 53. Dangerous steep walkway - needs steps and tar.

105 CMR 410.750

General

- 54. Roadway in general disrepair
- 55. Sidewalks in general disrepair

105 CMR 410.750
105 CMR 410.750

Redwood Park**667-2 Development**

Unit A-11

- 1. Baseboard in kitchen needs to be fastened

105 CMR 410.504

Unit B-12

- 2. Linoleum kitchen floor is cracked

105 CMR 410.504

Unit C-23

- 3. Bedroom window screen fell off

105 CMR 410.551

Unit D-12

- 4. Small hole in bathroom ceiling
- 5. Rust in bathroom sink drain
- 6. Walk is cracked in front of unit

105 CMR 410.500
105 CMR 410.351
105 CMR 410.500

Unit H-13

- 7. Rust in bathroom sink drain

105 CMR 410.351

APPENDIX II

Photographs of Conditions Found



Project 667-1
Entrance Landing in Disrepair



Project 667-1
Window Frame and Shingles Rotting



Project 667-1
Window Frame Rotting



Project 667-1
Bathroom Floor in Disrepair



Project 667-1
Asbestos Tiles Nailed Down for Repair



Project 667-1
Community Room Steps Rusted and Cracked



Project 667-1
Front Entrance Landing Cracked



Project 667-1
Missing and Rotting Shingles



Project 667-1
Walkway Cracked



Project 667-1
Roadway Cracked and in Disrepair



Project 667-1
Crack in Sidewalk