



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

Making government work better

Official Audit Report – Issued July 30, 2014

Wellesley Housing Authority

For the period January 1, 2012 through December 31, 2013





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Kathy Egan, Chair
Wellesley Housing Authority
109 Barton Road
Wellesley, MA 02481

Dear Chairwoman Egan:

I am pleased to provide this performance audit of the Wellesley Housing Authority. This report details the audit objectives, scope, and methodology for the audit period, January 1, 2012 through December 31, 2013. My audit staff discussed the contents of this report with management of the Authority.

I would also like to express my appreciation to the Wellesley 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 Wellesley Housing Authority for the period January 1, 2012 through December 31, 2013.

The objectives of our audit were to determine the Authority's compliance with applicable laws, rules, and regulations and to review and analyze its management controls and practices to determine whether (1) the Authority's expenditures were allowable, related to its operations, and compliant with the requirements of the Department of Housing and Community Development (DHCD); (2) the Authority had determined tenant eligibility, placement, and monthly rent in accordance with DHCD regulations; (3) the Authority had procured goods and services in accordance with Chapter 30B of the General Laws; (4) site inspections of the housing units were being performed each year; (5) annual inventories of property and equipment were scheduled and conducted; (6) DHCD's financial reporting and data collection requirements were being complied with; (7) modernization money, if any was awarded, had been spent in accordance with DHCD regulations; (8) the Authority's management contract with Needham Housing Authority was being adhered to; and (9) the Wellesley Housing Authority had received money under Chapter 44B of the General Laws (the Community Preservation Act) and, if so, it had spent the funds according to that law and DHCD guidelines.

Summary of Results

Based on our audit, for the period January 1, 2012 through December 31, 2013, the Authority maintained adequate management controls and practices and complied with applicable laws, rules, and regulations for the areas tested.

OVERVIEW OF AUDITED AGENCY

Background

The Wellesley Housing Authority is authorized by, and operates under, the provisions of Chapter 121B of the Massachusetts General Laws, as amended. Its administrative offices are located at 109 Barton Road in Wellesley, Massachusetts. The Authority currently manages and oversees 88 units of state housing for low-income families, 133 units of state housing for elderly tenants, 12 units of state scattered housing for low-income families, 1 unit under the Massachusetts Rental Voucher Program, and an additional 11 units of federal family housing, which are administered by the Dedham Housing Authority. The Wellesley Housing Authority also pays a monthly management fee to the Needham Housing Authority for the administration and operation of the Wellesley Housing Authority's non-Section 8 programs and properties.

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 a performance audit of certain activities of the Wellesley Housing Authority for the period January 1, 2012 through December 31, 2013.

The objectives of our audit were to determine the Authority's compliance with applicable laws, rules, and regulations and to review and analyze its management controls and practices to determine whether (1) the Authority's expenditures were allowable, related to its operations, and compliant with the requirements of the Department of Housing and Community Development (DHCD); (2) the Authority had determined tenant eligibility, placement, and monthly rent in accordance with DHCD regulations; (3) the Authority had procured goods and services in accordance with Chapter 30B of the General Laws; (4) site inspections of the housing units were being performed each year; (5) annual inventories of property and equipment were scheduled and conducted; (6) DHCD's financial reporting and data collection requirements were being complied with; (7) modernization money, if any was awarded, had been spent in accordance with DHCD regulations; (8) the Authority's management contract with Needham Housing Authority was being adhered to; and (9) the Wellesley Housing Authority had received money under Chapter 44B of the General Laws (the Community Preservation Act) and, if so, it had spent the funds according to that law and DHCD guidelines.

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.

To achieve our audit objectives, we gained an understanding of, and tested, the relevant internal controls for financial operations, tenant selection and occupancy, vacancies, annual rent determinations, site inspections, property maintenance, administrative expenses, property and equipment, and contract procurement, as well as modernization.

Further, we conducted audit testing in the following areas:

- We reviewed all travel expenditures and verified compliance with established policies.
- We selected the last 10 tenants housed to verify that tenants were selected in accordance with DHCD regulations.
- We examined the vacancy records to determine whether the Authority adhered to DHCD procedures for preparing and filling vacant housing units.
- We tested 22 of 466 annual rent determinations to verify that rents were calculated properly and in accordance with DHCD guidelines.
- We tested tenant accounts-receivable procedures to ensure that rent collections were timely and that uncollectible tenant accounts-receivable balances were written off properly.
- We reviewed site-inspection procedures and records to verify compliance with DHCD inspection requirements and determine whether selected housing units were in safe and sanitary condition.
- We reviewed 27 of 496 general expenditures for appropriateness and compliance with established policy.
- We reviewed cash management and investment policies and practices to verify that the Authority maximized its interest income and that its deposits were fully insured.
- We tested DHCD grants and Authority payments related to modernization contractors.
- We tested procedures for property and equipment and determined the adequacy of the Authority's controls to protect, and account for, its assets in accordance with DHCD regulations.
- We examined contract-procurement records to verify compliance with applicable laws and DHCD requirements for awarding contracts.
- We verified the DHCD-approved operating budget for fiscal years 2012 and 2013 in comparison with actual expenditures. We also reviewed line-item and total amounts to ensure that they were within budgetary limits.
- We reviewed the adequacy of procedures in effect to collect data and ensure that required reports were complete, accurate, and submitted to DHCD in a timely manner.
- We determined whether the Authority had conducted any transactions with related associations, corporations, or other private entities.

- We determined whether the Authority had received Community Preservation Act money and, if so, whether it had expended the money in accordance with applicable statutory and DHCD requirements.
- We determined whether the Authority's management contract with Needham Housing Authority was being adhered to.

In addition, we gained an understanding of the internal controls we deemed significant to our audit objectives and evaluated the design and effectiveness of those controls. Specifically, we performed procedures such as interviewing Authority employees and reviewing relevant documents, statutes, and regulations as well as Authority policies, procedures, and accounting records.

We obtained revenue, subsidy, grant award, and expenditure information generated from information systems maintained by the Commonwealth and by the Authority. We compared this information with source documents and interviewed knowledgeable Authority staff about the data. We determined that the data were sufficiently reliable for the purposes of this report. Information system controls were not an integral part of the Authority's internal controls, so we did not consider it necessary to evaluate information system controls. When performing our audit, we relied on hardcopy source documents, which we tested for accuracy and completeness. We determined that these data were also sufficiently reliable for the purposes of this report. Whenever sampling was used, we applied a non-statistical approach, and as a result, we were not able to project our results to the population.

Through inquiry and examination of source documents during the performance of the foregoing audit procedures, no instances of transactions with related parties came to our attention.

Based on our audit, for the period January 1, 2012 through December 31, 2013, the Authority maintained adequate internal controls and management practices and complied with applicable laws, rules, regulations, and contractual terms for the areas tested.