



The Commonwealth of Massachusetts

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NO. 2008-0813-3A

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

**OFFICIAL AUDIT
REPORT
SEPTEMBER 25, 2008**

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In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain activities of the Westport Housing Authority for the period July 1, 2006 to May 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 reports (Nos. 2005-0813-3A and 2006-0813-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 23-month period ended May 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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PRIOR AUDIT RESULTS RESOLVED

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Our prior audit reports (Nos. 2005-0813-3A and 2006-0813-3A) of the Westport Housing Authority disclosed that certain areas were in need of improvement. Our follow-up review revealed that the Authority has adequately addressed the issues noted, as detailed below.

a. COMPLIANCE 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 prior audit (No. 2006-0813-3A) of the Westport Housing Authority, which covered the period July 1, 2003 to June 30, 2005, noted 14 instances of noncompliance with Chapter II of the State Sanitary Code, including chipped and flaking paint on ceilings, crumbling walkways and curbs, and warped shingles. Our follow-up review determined that the Authority applied for and was approved for funding from DHCD to address the issues noted in our prior audit report. Based on this action, we have determined that the Authority has taken adequate steps to comply with DHCD requirements pertaining to safe and sanitary housing.

b. OFFICIAL WRITTEN PROPERTY MAINTENANCE PLAN ESTABLISHED

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Our prior audit (No. 2006-0813-3A) reported that the Authority did not incorporate DHCD's Property Maintenance Guide into its policies and procedures. Specifically, we noted that the Authority 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 developed a written Property Maintenance Manual,

which incorporates policies and procedures to inspect, maintain, repair, and upgrade its existing housing units.

c. AVAILABILITY OF LAND TO BUILD AFFORDABLE HOUSING UNITS **3**

Our prior audit (No. 2006-0813-3A) reported that the Authority owns approximately 3.5 acres of land located behind the existing housing stock at 666 State Road. The Authority has filed a request with DHCD for development funds to construct additional elderly housing units at this location. The need for additional housing at the Authority is justified, considering that as of June 30, 2005 there were over 30 applicants on the Authority's waiting list for affordable housing. Furthermore, the cost to build additional housing on Authority property would be considerably less than building elsewhere, since the Authority already owns the land and there would be no acquisition costs. Our follow-up review disclosed that the Authority has been in discussions with DHCD concerning the land owned by the Authority but no decisions have been made to date.

d. REQUIRED LEDGERS MAINTAINED **4**

Our prior audit (No. 2005-0813-3A) revealed that the Authority was not maintaining the Vacancy, Master, and Waiting List ledgers that are required by 760 Code of Massachusetts Regulations. As a result, it was not possible to determine whether the Authority filled vacancies in state-aided housing units within the required period, maximized its potential rental income, or selected tenants in the proper order for vacancies. Our follow-up review disclosed that the Authority has taken corrective action concerning the Vacancy, Master, and Waiting List ledgers. Our audit testing revealed that the Authority is currently filling vacancies as prescribed by DHCD.

INTRODUCTION

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain activities of the Westport Housing Authority for the period July 1, 2006 to May 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 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.
- Modernization and Development 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.
- 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.
- The Authority's progress in addressing the issues noted in our prior reports (No. 2005-0813-3A and 2006-0813-3A).

Based on our review, we have concluded that, except for the issues discussed in the Audit Results section of this report, during the 23-month period ended May 31, 2008, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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PRIOR AUDIT RESULTS RESOLVED

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c. AVAILABILITY OF LAND TO BUILD AFFORDABLE HOUSING UNITS

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