



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

*Making government work better*

Official Audit Report-Issued December 28, 2012

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## Westport Housing Authority

For the period July 1, 2009 through March 31, 2011



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## **INTRODUCTION AND SUMMARY OF FINDINGS AND RECOMMENDATIONS**

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor conducted an audit of certain activities of the Westport Housing Authority for the period July 1, 2009 through March 31, 2011. The objectives of our audit were to review and analyze the Authority's management controls and practices over certain areas and functions for the purpose of determining their adequacy and to review the Authority's compliance with applicable laws, rules, and regulations.

Based on our audit, we have concluded that, except for the issue addressed in the Audit Findings section of this report, during the period July 1, 2009 through March 31, 2011, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

### ***Highlight of Audit Findings***

- We determined that the Authority did not have an inventory listing, had not tagged inventory items, and had not conducted an annual physical inventory of its property and equipment as required by the Department of Housing and Community Development's (DHCD) Accounting Manual. Without proper furniture and inventory controls, there is inadequate assurance that the Authority's accounting records and financial statements accurately reflect fixed-asset values or that the Authority's assets are safeguarded against possible loss, theft, or misuse.

### ***Recommendations of the State Auditor***

- The Authority should ensure that its inventory control procedures are in full compliance with DHCD requirements by establishing a comprehensive inventory listing, tagging all furniture and equipment, conducting a complete physical inventory count annually, and reconciling the inventory to its financial statements and accounting records.

**OVERVIEW OF AUDITED AGENCY**

The Westport Housing Authority is authorized by and operates under the provisions of Chapter 121B of the Massachusetts General Laws, as amended. The Authority operates a 48-unit complex known as Greenwood Terrace located on State Road across from the Westport Plaza and Post Office. All units in Greenwood Terrace are one-bedroom apartments. The Authority accommodates elderly and disabled residents (Chapter 667). The Authority is regulated by the Department of Housing and Community Development (DHCD); overseen by a Board of Commissioners; and, as of April 2010, managed by the Fairhaven Housing Authority.

## AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor conducted an audit of certain activities of the Westport Housing Authority for the period July 1, 2009 through March 31, 2011. 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 over the following areas and functions for the purpose of determining their adequacy: (1) tenant selection; (2) preparation and reoccupation of vacant units; (3) rent determinations; (4) collectability of accounts receivables; (5) site inspections; (6) payroll, travel, and fringe benefits; (7) disbursements; (8) inventory controls over property and equipment; (9) contract procurement; (10) cash management and investment practices; (11) Department of Housing and Community Development (DHCD)-approved budgets versus actual expenditures; (12) level of need for operating subsidies and operating reserves; and (13) administration of modernization funds to determine, among other items, the existence of excess funds.

We conducted this performance audit in accordance with applicable 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 reviewed the following:

- Tenant-selection procedures to verify that tenants were selected in accordance with 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 tenants' 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 and to determine whether the Authority has in place an updated official written property maintenance plan for its managed properties.

- Procedures for making payments for payroll, travel, and fringe benefits to verify compliance with established rules and regulations.
- Authority expenditures to determine whether they were reasonable, allowable, and applicable to the Authority's operations and were adequately documented and properly authorized in accordance with established criteria.
- 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.

Based on our audit, we have concluded that, except for the issue discussed in the Audit Results section of this report, during the period July 1, 2009 through March 31, 2011, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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## AUDIT FINDINGS

### INADEQUATE CONTROLS OVER PROPERTY AND EQUIPMENT INVENTORY

Our review of the Westport Housing Authority's internal controls over its property and equipment inventory identified that improvements were needed to ensure compliance with the Department of Housing and Community Development's (DHCD's) Accounting Manual. Specifically, the Authority did not have an inventory listing, had not tagged inventory items, and had not conducted an annual physical inventory of its property and equipment, which as of June 30, 2010 was valued at \$18,296 on the Authority's financial statements.

DHCD's Accounting Manual, Section 15 (D), requires housing authorities to establish a formal system for the inventory of furniture, as follows:

*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 record and any differences and discrepancies will be reviewed by the LHA for possible adjustments.*

Without proper property and equipment inventory controls, there is inadequate assurance that the Authority's accounting records and financial statements accurately reflect fixed-asset values or that the Authority's assets are adequately safeguarded against possible loss, theft, or misuse.

The Authority's Executive Director indicated that the Authority will take measures to comply with DHCD's inventory control requirements.

### ***Recommendation***

The Authority should ensure that its inventory control procedures are in full compliance with DHCD requirements by establishing a comprehensive inventory listing, tagging all furniture and

equipment, conducting a complete physical inventory count annually, and reconciling the inventory to its balance sheet and accounting records.

***Auditee's Response***

The Authority's Executive Director responded, in part:

*Fairhaven Housing Authority, as managing agent of Westport Housing Authority since April 2010, and Westport Housing Authority maintenance will work to complete an inventory in a timely manner in conjunction with upcoming apartment inspections. The final inventory will be reviewed with the accountant for inclusion in the general ledger, quarterly statements, and annual budgets, and will be henceforth properly maintained.*