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INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
YARMOUTH HOUSING AUTHORITY
APRIL 1, 2006 TO APRIL 30, 2008

OFFICIAL AUDIT
REPORT
DECEMBER 23, 2008

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INTRODUCTION

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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 Yarmouth Housing Authority for the period April 1, 2006 to April 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. In addition, we reviewed the Authority's progress in addressing the conditions noted in our prior audit report (No. 2006-0828-3A).

Based on our review, we have concluded that, during the 25-month period ended April 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 (No. 2006-0828-3A) of the Yarmouth Housing Authority, which covered the period July 1, 2003 to June 30, 2005, disclosed several conditions that required improvement. Specifically, the audit disclosed that: a) 79 instances of noncompliance with Chapter II of the State Sanitary Code existed at the Authority's state-aided housing units, b) modernization requests were unfunded by the Department of Housing and Community Development (DHCD), c) the Authority owned one parcel of land on which it could build affordable housing units, and d) the Authority was owed operating subsidies by DHCD. Our follow-up review indicated that the Authority has taken corrective action to address the prior Audit Results, as follows:

a. Results of Inspections – Compliance with State Sanitary Code

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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 prior audit noted 79 instances of noncompliance with Chapter II of the State Sanitary Code. Our current review determined that the Authority has taken corrective action to address these instances of noncompliance.

b. Modernization Initiatives Partially Funded

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Our prior audit found that although the Authority had applied to DHCD for funding for capital modernization projects for its state-aided properties, these requests were not funded by DHCD during the audit period. Our current review determined that the Authority has received funding for one of the two capital improvement projects.

c. Availability of Land to Build Affordable Housing Units **4**

Our prior audit disclosed that the Authority owns approximately 19 acres of land on which it planned to build affordable housing. The report recommended that the Authority continue in its endeavor to construct additional units to address the demand for low-income housing. Our follow-up review noted that the Authority is working with DHCD to develop that land.

d. Operating Subsidies Received **4**

The Contract for Financial Assistance between the Authority and DHCD requires DHCD to subsidize the Authority to meet its expenses. However, our prior review of the Authority's operating subsidy records indicated that \$4,198 was due the Authority from DHCD, contrary to DHCD's records, which indicated that it owed the Authority \$4,613. Our follow-up review indicated the Authority received \$4,913, which included the prior year's subsidy of \$4,198.

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 Yarmouth Housing Authority for the period April 1, 2006 to April 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 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 audits 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 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 programs 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 report (No. 2006-0828-3A).

Based on our review, we have concluded that, during the 25-month period ended April 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. 2006-0828-3A) of the Yarmouth Housing Authority, which covered the period July 1, 2003 to June 30, 2005, disclosed several conditions that required improvement. Specifically, the audit disclosed that: a) 79 instances of noncompliance with Chapter II of the State Sanitary Code existed at the Authority's state-aided housing units, b) modernization requests were unfunded by the Department of Housing and Community Development (DHCD), c) the Authority owned one parcel of land on which it could build affordable housing units, and d) the Authority was owed operating subsidies by DHCD. Our follow-up review indicated that the Authority has taken corrective action to address the prior Audit Results, as follows:

a. Results of Inspections – Compliance 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 prior audit noted 79 instances of noncompliance with Chapter II of the State Sanitary Code. Our follow-up review determined that these 79 instances of noncompliance have been remedied, including unsafe decks and handrails, cracked sidewalks, and mold and mildew on ceilings and walls. Also, the Authority received funding for the unsafe decks, railings, and sidewalks and has taken corrective action to address these issues.

b. Modernization Initiatives Partially Funded

Our prior audit found that although the Authority had applied to DHCD for funding for capital modernization projects for its state-aided properties, these requests were not funded by DHCD during the audit period. Specifically, on September 20, 2001, the Authority requested modernization funding from DHCD for the following capital improvement projects:

<u>Development</u>	<u>Condition</u>	<u>Status</u>
667-1 Elderly Program	Rehabilitate bathrooms, replace tubs and showers	Not Funded
667-1 Elderly Program	Repave driveways, parking lot, walkways	Funded in 2006

Our current review determined that re-pavement of driveways, parking lots, and walkways was funded by DHCD in fiscal year 2006. The rehabilitation of the bathrooms and the replacement of tubs and showers for the 667-1 Elderly Program remain unfunded. 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 the remaining projects (which have been reported to DHCD), emergency situations may occur, and the Authority's ability to provide safe, decent, and sanitary housing for its elderly and family tenants could be seriously compromised. Lastly, deferring the Authority's modernization needs into future years will cost the Commonwealth's taxpayers additional money due to inflation, higher wages, and other related costs.

Recommendation

The Authority should continue to appeal to DHCD for the modernization funding needed to address the remaining projects.

c. Availability of Land to Build Affordable Housing Units

Our prior audit reported that the Authority owns one parcel of land with an area of approximately 19 acres on Forest Road on which it could build additional affordable housing for the Elderly Program. The report recommended that the Authority continue in its endeavor to construct additional units to address the demand for low-income housing. Our follow-up review noted that the Authority is working with DHCD to build family and elderly housing.

d. Operating Subsidies Received

The Contract for Financial Assistance between the Authority and DHCD requires DHCD to subsidize the Authority to meet its expenses. During our prior audit, we requested and received from DHCD a statement of operating subsidy balances due and outstanding for each local housing authority (LHA) of the Commonwealth as of June 30, 2005. During our field visits to the LHAs, we reviewed each Authority's subsidy records to determine whether the amounts were in agreement with the balances provided by DHCD. The Authority's operating subsidy records indicated that \$4,198 was due the Authority from DHCD, contrary to DHCD's records, which indicated that it owed the Authority \$4,613. Our follow-up review indicated the Authority received \$4,913, which included the prior year's subsidy of \$4,198.