



# The Commonwealth of Massachusetts

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

**OFFICIAL AUDIT  
REPORT  
DECEMBER 17, 2008**

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### INTRODUCTION

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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 Clinton Housing Authority for the period July 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. We also conducted a follow-up review of the Authority's progress in addressing the issues noted in our prior two audit reports (No. 2003-0635-3A and 2006-0635-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 22-month period ended April 30, 2008, the Authority maintained adequate management controls and complied with applicable laws, rules and regulations.

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### AUDIT RESULTS

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#### 1. PRIOR AUDIT RESULTS RESOLVED

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Our prior report (2003-0635-3A) of the Clinton Housing Authority disclosed that certain areas were in need of improvement including (a) rent redetermination procedures and (b) inventory controls. Our follow-up review revealed that the Authority has adequately addressed the issues noted, as discussed below.

##### a. Improvements Made in Rent Redetermination Procedures

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Our prior audit found that improvements were needed in the annual rent determination process for the tenants. Specifically, we noted that contrary to 760 Code of Massachusetts Regulations (CMR) 6.00, annual rent determinations were not being performed, and three tenants medical deductions were incorrectly calculated, resulting in overcharges. We recommended that the Authority review its internal control procedures to ensure that rent determinations are redetermined annually and accurately and that the Authority make the necessary refunds to tenants who were overcharged. During our follow-up review, we examined rent computations for 12 files and found that the Authority is now in compliance with 760 CMR 6.00. Specifically, we found that all 12 rents were redetermined annually and were supported by proper documentation regarding income and deductions. Moreover, the Authority implemented internal controls to ensure that all rent calculations are accurate, and refunds were made to tenants who were overcharged.

##### b. Improvements Made in Inventory Controls

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Our prior audit revealed that contrary to the Department of Housing and Community Development's (DHCD) Accounting Manual for State-Aided Housing Programs, Section 15-D, the Authority did not comply with DHCD's procedures for controls over inventory of furniture and equipment. Specifically, our review noted that the Authority did not have an up to date inventory listing of maintenance items and office equipment.

In addition, we noted that the Authority did not reconcile its inventory listing to its financial records. During our follow-up review, we found that the Authority improved its inventory controls and had an up to date listing that included maintenance items and office equipment as required by DHCD's Accounting Manual. Moreover, we found that all purchases over \$5000 were being properly capitalized, inventoried, and depreciated as required by DHCD and the Authority's Capitalization policy.

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## **2. PRIOR AUDIT RESULTS PARTIALLY RESOLVED** **4**

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Our prior report (No. 2006-0635-3A) disclosed that improvements were needed in complying with the State Sanitary Code and obtaining funding for modernization initiatives. Our follow-up review indicated that the Authority has partially resolved these issues, as discussed below.

### **a. Results of Inspections - Compliance with State Sanitary Code** **4**

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During our prior audit, we conducted inspections at 10 of the 169 state-aided dwelling units managed by the Authority and noted 14 instances of noncompliance with Chapter II of the State Sanitary Code, including missing shingles, water leaks, roof deterioration, exposed wiring, parking lots in need of repaving, deficient siding, deteriorating porches, stairs, and railings and other health and safety hazards. We recommended that the Authority apply for funding from DHCD to address these issues. Our follow-up review determined that the Authority has adequately addressed five of the 14 instances of noncompliance by using its own funds, including the replacement of missing shingles, repairs of water leaks, bathroom cracks, and broken floor tiles and sidewalk repairs. However, our follow-up audit found that the stairs and railings at the 200 Woodlawn Street project were still deteriorating. In response to this issue, the Executive Director made temporary repairs to the stairs and railings and stated that the lack of funding has prohibited the Authority from resolving other problems noted in our prior report.

### **b. Modernization Initiatives** **5**

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Our prior audit disclosed that the Authority applied for capital modernization funding from DHCD for roof and window repairs and replacing the 200 family project boilers. Our follow-up review found that these issues are partially resolved. Specifically, the Authority has addressed the issue of the 200 and 667 boiler replacements by using its own funds, and in June 2007 the Authority was awarded \$200,000 from DHCD to replace the parking lot at its 667-2 Elderly project. In addition, the Authority also received \$18,317 in January of 2008 for payment to the architect. It was further noted that in FY 2008, DHCD approved \$50,000 for an elevator replacement study and \$18,000 for an upgrade of the electrical system, but the Authority has not received these funds to date.

## 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 Clinton Housing Authority for the period July 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.

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.
- 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.
- The Authority's progress in addressing the issues noted in our prior audit reports (Nos. 2003-0635-3A and 2006-0635-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 22-month period ended April 30, 2008, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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## AUDIT RESULTS

### 1. PRIOR AUDIT RESULTS RESOLVED

Our prior audit report (No. 2003-0635-3A) of the Clinton Housing Authority disclosed that certain areas were in need of improvement, including (a) rent redetermination procedures and (b) inventory controls. Our follow-up review revealed that the Authority has adequately addressed the issues noted, as discussed below.

#### a. Improvements Made in Rent Redetermination Procedures

Our prior audit found that improvements were needed in the Authority's annual rent determination process. Specifically, we noted that contrary to 760 Code of Massachusetts Regulations (CMR) 6.00, annual rent determinations were not being performed. We noted that computation errors in medical deductions resulted in three tenants being overcharged, and we subsequently recommended that the Authority review all rent calculations, issue refunds to all tenants who had been overcharged, and review its internal control procedures to ensure that rent determinations were completed annually and accurately.

During our follow-up review, we found that the Authority is now in compliance with 760 CMR 6.00. Specifically, our review of 12 tenant files revealed that during the audit period the rents were redetermined annually, accurately calculated, and were supported by proper documentation for income and deductions. Moreover, the Authority has implemented internal controls to ensure that all rent calculations are accurate, and refunds have been made to tenants who were overcharged.

#### b. Improvements Made in Inventory Controls

Our prior audit revealed that contrary to the Department of Housing and Community Development's (DHCD) Accounting Manual for State-Aided Housing Programs, Section 15-D, the Authority did not comply with DHCD's procedures for controls over inventory of furniture and equipment. Specifically, our review noted that the Authority did not have an up to date inventory listing of maintenance items and office equipment. In addition, we noted that the Authority did not reconcile its inventory listing to its financial records. We recommended that the Authority ensure that its inventory control procedures are in full compliance with the Department of Housing and Community Development (DHCD) requirements.

During our follow-up review, we found that the Authority improved its inventory controls and had an up to date listing that included maintenance items and office equipment as required by DHCD's Accounting Manual. Moreover, we found that all purchases over \$5000 were being properly capitalized, inventoried, and depreciated as required by DHCD and the Authority's Capitalization policy.

## **2. PRIOR AUDIT RESULTS PARTIALLY RESOLVED**

Our prior report (No. 2006-0635-3A) disclosed that improvements were needed in complying with the State Sanitary Code and obtaining funding for modernization initiatives. Our follow-up review revealed that the Authority has partially resolved these issues, as discussed below.

### **a. Results of Inspections - Compliance with State Sanitary Code**

During our prior audit, we conducted inspections at 10 of the 169 state-aided dwelling units managed by the Authority and noted 14 instances of noncompliance with Chapter II of the State Sanitary Code, including missing shingles, water leaks, roof deterioration, exposed wiring, parking lots in need of repaving, deficient siding, deteriorating porches, stairs, and railings and other health and safety hazards. We recommended the Authority apply for funding from DHCD to address these issues. Our follow-up review determined that the Authority has adequately addressed five of the 14 instances of noncompliance by using its own funds, including the replacement of missing shingles, repairs of water leaks, bathroom cracks, broken floor tiles and sidewalk repairs. However, our follow-up audit found that the stairs and railings at the 200 Woodlawn Street project were still deteriorating. In response to this issue, the Executive Director made temporary repairs to the stairs and railings and stated that the lack of funding has prohibited the Authority from resolving other problems noted in our prior report.

### ***Recommendation***

The Authority should reapply for funding from DHCD to resolve the issues of repaving the parking lots and replacing the roofing and the exposed wiring. DHCD should provide sufficient funds to the Authority in a timely manner so that it may provide safe, decent, and sanitary housing for its tenants.

***Auditee's Response***

The Authority will continue to apply for funding from DHCD.

**b. Modernization Initiatives**

Our prior audit disclosed that in September 2001, the Authority requested modernization funds from DHCD to repair roofs and windows at its 667-1 project, and replace the boilers at the 667-2 Elderly Project and 200-1 Family projects;. However, because these requests were denied the Authority had to replace these boilers using its own funds. In addition, although the Authority requested funds for roof replacement, upgrading of the electrical system, and paving and elevator replacement, all of these requests were denied.

Our follow-up review found that DHCD awarded the Authority \$200,000 in June 2007 to replace the parking lot at its 667-2 Elderly project, and received an additional \$18,317 in January 2008 for payment to the architect. In FY 2008 DHCD approved an additional \$50,000 for an elevator replacement study and \$18,000 to upgrade the electrical system, however, the Authority has not received these funds to date. If the Authority does not receive funding to correct these conditions, further deterioration could render the units and buildings uninhabitable.

***Recommendation***

The Authority should continue to appeal to DHCD for additional modernization funds needed to remedy these issues.

***Auditee's Response***

The Authority responded that it has used its our own funds to replace the furnaces at the 200-1 project, that funds have been expended for the electrical project at 667-1, that the paving project at 667-2 is substantially completed, and that the elevator project at 667-3 seems to be at a standstill. The CHA indicated that it will continue to work with DHCD to obtain additional funds to complete these projects.