



# The Commonwealth of Massachusetts

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**INDEPENDENT STATE AUDITOR'S REPORT  
ON CERTAIN ACTIVITIES OF THE  
ANDOVER HOUSING AUTHORITY  
JANUARY 1, 2006 TO JUNE 30, 2008**

**OFFICIAL AUDIT  
REPORT  
DECEMBER 2, 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 Andover Housing Authority for the period January 1, 2006 to June 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 audit report (No. 2006-0598-3A).

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

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Our prior audit (No. 2006-0598-3A) of the Authority, which covered the period July 1, 2003 to June 30, 2005, disclosed that the Authority a) was not in compliance with Chapter II of the State Sanitary Code and b) did not receive funding for modernization requests from the Department of Housing and Community Development (DHCD). Our follow-up review disclosed that the Authority has initiated action to address these prior Audit Results, as discussed below.

#### **a. Prior Audit Result Partially Resolved – Compliance with State Sanitary Code**

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DHCD's Property Maintenance Guide, Chapter 3(F), requires that inspections of housing 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 disclosed eight instances of noncompliance with Chapter II of the State Sanitary Code. Our follow-up review determined that the Authority has corrected three instances of noncompliance, DHCD has approved funding to correct another, and four remain unfunded.

#### **b. Status of Modernization Initiatives**

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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 follow-up review determined that DHCD is utilizing its Capital Planning System to work with the Authority to determine its modernization funding needs, and the Authority has received, is due to receive, or is awaiting notification of funding from DHCD for its capital modernization needs.

## 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 Andover Housing Authority for the period January 1, 2006 to June 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 verify 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.
- Procedures for making payments to landlords under the Massachusetts Rental Voucher Program to verify compliance with the contract provisions and that rental charges by landlords were consistent 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's 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 report (No. 2006-0598-3A).

Based on our review, we have concluded that, except for the issues discussed in the Audit Results section of this report, during the 30-month period ended June 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. 2006-0598-3A) of the Andover Housing Authority, which covered the period July 1, 2003 to June 30, 2005, disclosed that the Authority a) was not in compliance with Chapter II of the State Sanitary Code and b) did not receive funding for modernization requests from the Department of Housing and Community Development (DHCD). Our follow-up review disclosed that the Authority has initiated action to address these prior Audit Results, as described below.

#### **a. Prior Audit Result Partially Resolved – Compliance with State Sanitary Code**

DHCD's Property Maintenance Guide, Chapter 3(F), requires that inspections of housing 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 of the Authority noted eight instances of noncompliance with Chapter II of the State Sanitary Code, including cracked and moldy bathroom tiles, sidewalks in need of resurfacing, the lack of a sprinkler system, roofs that needed to be reshingled, and window sills that were rotting. Our follow-up review determined that the Authority has addressed the issue of rusting sinks and tubs at its 667-1 Elderly Housing development and has installed a sprinkler system and re-shingled the roof at its 667-4 Elderly Housing development. Further, DHCD has approved funding to remedy the issue of rotting exterior windowsills at its 667-3 Elderly Housing development. The remaining four instances of noncompliance identified by our prior audit remain unfunded, as follows:

667-1	Deteriorating roof
667-3	Sidewalks in need of resurfacing; cracked and moldy bathroom tiles
667-4	Loose siding

The continued existence of instances of noncompliance with Chapter II of the State Sanitary Code can be partially attributed to the lack of modernization funding from DHCD, as detailed in the following paragraph.

**b. Status of Modernization Initiatives**

Our prior audit found that although the Authority had applied to DHCD for funding for three capital modernization projects for its state-aided properties, these requests were not funded by DHCD during the audit period. Specifically, the Authority indicated that on October 13, 1998 and September 20, 2001, it applied for funding for the following capital modernization projects from DHCD:

- Bathroom renovation and roof repairs at its 667-1 Elderly Housing development located at Chestnut Court,
- Site work at its 667-3 Elderly Housing development located at Frye Circle, and
- Siding repairs at its Court 667-4 Elderly Housing development located at Stowe Court.

DHCD had agreed to fund a planning grant for the Project 667-3 Frye Circle improvements but had not yet executed the grant or provided the funding. Modernization funding was denied for the remaining renovations. The Authority has subsequently requested funding for additional modernization projects that need to be addressed at its Memorial Circle, Chestnut Court, Grandview Terrace, Frye Circle, and Stowe Court developments, many of which are included in the reported instances of noncompliance with Chapter II of the State Sanitary Code.

Our follow-up review determined that the Authority has received, is due to receive, or is awaiting notification of funding from DHCD for its capital modernization needs. DHCD is utilizing its Capital Planning System to work with the Authority to determine its modernization funding needs. The Authority provided the following status, as of September 23, 2008, of modernization needs identified in the prior audit report:

*200-1 Memorial Circle—We recently applied for and received funding to convert a two bedroom townhouse style unit to a three bedroom HC unit by putting on an addition on the first floor of a bedroom, bathroom and laundry room as well*

*as to remodel the kitchen to make it HC Accessible. The other items remain a concern and are fixed individually on an as needed basis.*

*667-1- Since the Audit the roofs in Chestnut Court have begun to leak. We make repairs as necessary. However, we have applied to DHCD for Emergency Funding to replace the roof. To date we have not received notification of funding. We have been removing the sinks and having them re-surfaced as necessary as are the outside railings. Other issues as noted still exist.*

*667-2-We recently applied for and received Emergency Funds for the installation of new boilers in Granview Terrace which failed in the last year. Other issues noted in the report are repaired on an as needed basis, while many issues remain.*

*667-3-The largest issue at this property remains the site work. The sidewalks are treacherous. The hallways windows and doors are rotting. We applied to DHCD for Emergency Funds for the windows and doors and recently received notice that we have been approved for this cost. The site work including sidewalks and brick work remain as an unfunded C.A.R. from 2002.*

*667-4-Received funding for and implemented the installation of a Sprinkler System in this property as completed in 2006. All other issues are repaired on an as needed basis. Siding was stained in 2004 but remains an on-going issue.*

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 these conditions, (which have been reported to DHCD), additional 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 funding to address a) the remaining instances of noncompliance with Chapter II of the State Sanitary Code and b) its modernization needs. Moreover, DHCD should obtain and 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***

In its response, the Authority indicated that it concurs with the audit findings.