



The Commonwealth of Massachusetts

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**INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
SEEKONK HOUSING AUTHORITY
DECEMBER 1, 2003 TO JUNE 30, 2006**

**OFFICIAL AUDIT
REPORT
MAY 8, 2007**

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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 Seekonk Housing Authority for the period December 1, 2003 to June 30, 2006. 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. Based on our review, we have concluded that, except for the issue addressed in the Audit Results section of this report, during the 31-month period ended June 30, 2006, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

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OPERATING RESERVE SIGNIFICANTLY BELOW THE MINIMUM RECOMMENDED LEVEL

Our review disclosed that the Authority's Operating Reserve was significantly below the minimum level recommended by the Department of Housing and Community Development (DHCD). Our audit testing disclosed that although the Authority's Operating Reserve should have been between a maximum of \$142,229 and a minimum of \$56,891, the Authority's actual operating reserve was only \$27,278 as of June 30, 2006. The Operating Reserve is intended to be a source of funding to meet extraordinary expenses and unforeseen emergencies. The Authority attributed the insufficient balance in this account to the lack of funding from DHCD. In its response, Authority officials expressed their hope that they will be given sufficient funds to properly maintain their units.

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 Seekonk Housing Authority for the period December 1, 2003 to June 30, 2006. 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 assess 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's 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.
- 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.
- 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.

- Cash-management and investment policies and practices to verify that the Authority maximized its interest income and that its deposits were fully insured.
- Procedures for making payments to landlords under the Massachusetts Rental Voucher Program to verify compliance with contract provisions and that rental charges by landlords were consistent with established rules and regulations.
- 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.
- 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.

Based on our review, we have concluded that, except for the issue addressed in the Audit Results section of this report, during the 31-month period ended June 30, 2006, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

OPERATING RESERVE SIGNIFICANTLY BELOW THE MINIMUM RECOMMENDED LEVEL

Our review disclosed that the Seekonk Housing Authority's Operating Reserve was significantly below the minimum level recommended by the Department of Housing and Community Development (DHCD). The purpose of the Operating Reserve is to provide local housing authorities with a source of funding to meet extraordinary expenses and unforeseen emergencies. DHCD budget guidelines recommend a maximum Operating Reserve of 50% of the Authority's total operating expenditures and a minimum Operating Reserve not lower than 40% of the maximum. Based on the maximum and minimum recommended levels, we determined that the Authority's Operating Reserve should be between \$142,299 and \$56,891. However, as of June 30, 2006, the actual operating reserve of the Authority was only \$27,278.

Recommendation

We recommend that the Authority advise DHCD of its Operating Reserve balance and that it may need to request additional funding to meet any unforeseen emergency or extraordinary expenses. DHCD should provide adequate funding to ensure that the Authority's reserves are at least sufficient to meet DHCD's minimum requirements.

Auditee's Response

The Administration froze the budgets of the Massachusetts Housing Authorities for a four (4) year period. Another issue are the inappropriate budget guidelines that we are forced to adhere to. During that time the Seekonk Housing Authority struggled to maintain safe, decent, affordable housing for our residents, as well as meeting our financial obligations to our vendors, i.e., electric, telephone, vehicle payment supplies, etc. We even found it difficult to meet our payroll during the winter months when we had extremely high heating costs.

Under the new administration we sincerely hope that we will be given the needed funds so that we may maintain our units and allow our residents a place that they can be proud to call home.