



# The Commonwealth of Massachusetts

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**INDEPENDENT STATE AUDITOR'S REPORT  
ON CERTAIN ACTIVITIES OF THE  
BEVERLY HOUSING AUTHORITY  
JULY 1, 2005 TO DECEMBER 31, 2007**

**OFFICIAL AUDIT  
REPORT  
SEPTEMBER 22, 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 Beverly Housing Authority for the period July 1, 2005 to December 31, 2007. 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. 2006-0612-3A).

Based on our review, we have concluded that, during the 30-month period ended December 31, 2007, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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### AUDIT RESULTS

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#### STATUS OF PRIOR AUDIT RESULTS

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Our prior audit (No. 2006-0612-3A) of the Beverly Housing Authority, which covered the period July 1, 2003 to June 30, 2005, disclosed several conditions which required improvement. Specifically, the audit disclosed that: a) 71 instances of noncompliance with Chapter II of the State Sanitary Code were identified at the Authority's state-aided housing units; b) modernization requests remained unfunded by DHCD; and c) the Authority did not have an official written preventive maintenance plan to inspect, maintain, repair, and upgrade its existing housing units. Our follow-up review indicated that the Authority has taken action to address the prior audit results, as follows:

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

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Our prior audit noted 71 instances of noncompliance with Chapter II of the 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 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 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 one project was partially funded on an emergency basis in fiscal year 2007, with further funding provided by DHCD in fiscal year 2008. The remaining four projects remain unfunded. The Authority subsequently applied for modernization funding for additional projects, and has received funding for three work plans.

**c. Official Written Property Maintenance Plan Established** **4**

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Our prior audit reported that the Authority did not incorporate DHCD's Property Maintenance Guide into its policies and procedures. Specifically, we noted that the Authority did not have an official written preventive maintenance plan to inspect, maintain, repair, and upgrade its existing housing units. Our current review determined that the Authority has taken corrective action and has implemented a preventive maintenance program that adheres to DHCD's Property Maintenance Guide.

## INTRODUCTION

### *Audit Scope, Objective, and Methodology*

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain activities of the Beverly Housing Authority for the period July 1, 2005 to December 31, 2007. 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.
- 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 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. 2006-0612-3A).

Based on our review, we have concluded that, during the 30-month period ended December 31, 2007, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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## AUDIT RESULTS

### STATUS OF PRIOR AUDIT RESULTS

Our prior audit (No. 2006-0612-3A) on the Beverly Housing Authority, which covered the period July 1, 2003 to June 30, 2005, noted several conditions which required improvement. Specifically, the audit disclosed that: a) 71 instances of noncompliance with Chapter II of the State Sanitary Code existed at the Authority's state-aided housing units; b) modernization requests remained unfunded by DHCD; and c) the Authority did not have an official written preventive maintenance plan to inspect, maintain, repair, and upgrade its existing housing units. Our follow-up review indicated that the Authority has taken action to address the prior audit results, as follows:

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

Our prior audit of the Authority noted 71 instances of noncompliance with Chapter II of the 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 current review determined that the Authority has taken corrective action to address the issues reported in our prior report. The Herrick Street development, where many of the instances of noncompliance existed, has been gutted and is in the process of being completely renovated.

#### b. Modernization Initiatives Partially Funded

Our prior audit found that although the Authority 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 one request was partially funded on an emergency basis in fiscal year 2007, with further funding provided by DHCD in fiscal year 2008. The remaining four projects remain unfunded, as follows:

<u>Date of Request</u>	<u>Description</u>	<u>Estimated Cost</u>
September 13, 2001	Kitchen/Bath Improvements - Kelleher Street	\$425,000
September 13, 2001	Window Replacement - Kelleher Street	\$125,000
September 13, 2001	Window Replacement - Roger Conant Apartments	\$200,000
September 13, 2001	Back-up Generator - Federal Street	\$50,000

The Authority subsequently applied for modernization funding for additional projects, and has received funding for three work plans.

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), 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 the modernization funding needed to address the remaining projects.

**c. Official Written Property Maintenance Plan Established**

Our prior audit reported that the Authority did not incorporate DHCD's Property Maintenance Guide into its policies and procedures. Specifically, we noted that the Authority did not have an official written preventive maintenance plan to inspect, maintain, repair, and upgrade its existing housing units. Our current review determined that the Authority has taken corrective action and has implemented a preventive maintenance program that adheres to DHCD's Property Maintenance Guide.

***Auditee's Response***

In its response, the Authority stated that it accepts the audit report as drafted.