



The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

ONE ASHBURTON PLACE, ROOM 1819
BOSTON, MASSACHUSETTS 02108

A. JOSEPH DeNUCCI
AUDITOR

TEL. (617) 727-6200

NO. 2008-0825-3A

**INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
WORCESTER HOUSING AUTHORITY
JULY 1, 2005 TO JANUARY 31, 2008**

**OFFICIAL AUDIT
REPORT
JANUARY 30, 2009**

TABLE OF CONTENTS/EXECUTIVE SUMMARY

INTRODUCTION

1

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 Worcester Housing Authority for the period July 1, 2005 to January 31, 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. 2006-0825-3A).

Based on our review, we have concluded that during the 31-month period ended January 31, 2008, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

3

STATUS OF PRIOR AUDIT RESULTS

3

Our prior audit of the Worcester Housing Authority, which covered the period July 1, 2003 to June 30, 2005, disclosed that (a) 21 instances of noncompliance with Chapter II of the State Sanitary Code existed at the Authority's state-aided housing developments, (b) modernization requests remained unfunded by the Department of Housing and Community Development (DHCD), (c) the Authority had land available to build affordable housing units, and (d) a discrepancy existed between Authority and DHCD records regarding the operating subsidy due the Authority. Our follow-up review revealed that the Authority has begun to address these issues, as discussed below.

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

3

Our prior audit noted 21 instances of noncompliance with Chapter II of the State Sanitary Code, including peeling paint on ceilings, mold in bathrooms, chipped tiles, a leaky roof, a hole in the siding, and common area stairwells in need of replacement. Our follow-up review determined that the Authority has taken steps to address these issues. However, repairs to the common area stairwells at the Curtis Apartment, which is currently undergoing a multimillion-dollar renovation that began during the audit period, will take several more years to fund and complete.

b. Modernization Initiatives Partially Funded

4

Our prior audit noted that on September 20, 2001, the Authority submitted Condition Assessment Reports (CARS) to DHCD for 11 capital modernization projects for its state-aided developments. Our follow-up review noted that two of the 11 capital modernization projects have been funded and that the Authority and DHCD continue to work together to rehabilitate the Authority's structures and ensure that all of its housing units are safe and sanitary.

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

Our prior audit noted that the Authority has parcels of land available on which to build additional housing units. Our prior audit recommended that the Authority continue to appeal to DHCD to obtain and provide the development funding to construct affordable state-aided housing units. Our follow-up review determined that the Authority is now actively working with DHCD to develop options for the possible construction of additional housing units.

d. Operating Subsidies Earned, Received, and Outstanding **5**

Our prior audit noted that the Authority's operating subsidy accounts indicated that \$1,549,875 was due the Authority, contrary to DHCD records, which indicated that \$46,729 was due the Authority. Our follow-up review determined that this discrepancy was resolved, the Authority now receives the correct amount of operating subsidies to which it is entitled on a timely basis, and variances are reconciled with DHCD.

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 Worcester Housing Authority for the period July 1, 2005 to January 31, 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 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 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.
- 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, 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 report (No. 2006-0825-3A).

Based on our review, we have concluded, that during the 31-month period ended January 31, 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. 2006-0825-3A) of the Worcester Housing Authority, which covered the period July 1, 2003 to June 30, 2005, disclosed that (a) 21 instances of noncompliance with Chapter II of the State Sanitary Code existed at the Authority's state-aided housing developments, (b) modernization requests remained unfunded by the Department of Housing and Community Development (DHCD), (c) the Authority had land available to build affordable housing units, and (d) a discrepancy existed between Authority and DHCD records regarding the operating subsidy due the Authority. Our follow-up review revealed that the Authority has begun to address these issues, as discussed below.

a. Results of Inspections - Partial 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 the 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 21 instances of noncompliance with Chapter II of the State Sanitary Code, including peeling paint on ceilings, mold in bathrooms, chipped tiles, a leaky roof, a hole in the siding, and common area stairwells in need of replacement.

Our follow-up review determined that the Authority has taken corrective action. However, the common area stairwells at the Authority's Curtis Apartments, which is being addressed during a multimillion-dollar renovation that began during the audit period, will take several more years to fund and complete.

Recommendation

The Authority should continue to take the necessary steps to correct the deficiencies noted at its Curtis Apartments.

b. Modernization Initiatives Partially Funded

Our prior audit noted that on September 20, 2001, the Authority submitted Condition Assessment Reports to DHCD for 11 capital modernization projects for its 200-1, 200-2, 705-1, 667-3 and 667-4 developments, as follows:

<u>Date of Request</u>	<u>Development</u>	<u>Name</u>	<u>Purpose</u>
9/20/01	200-1	Lakeside	Plumbing
9/20/01	200-1	Lakeside	Security
9/20/01	200-1	Lakeside	Kitchens
9/20/01	200-2	Curtis	Roofs
9/20/01	200-2	Curtis	HVAC
9/20/01	200-2	Curtis	Plumbing
9/20/01	705-1	Main South	Kitchens/Baths
9/20/01	667-3	Lafayette	Heating
9/20/01	667-4	Curran	Heating
9/20/01	200-1	Lakeside	Comprehensive Modernization
9/20/01	705-1	Main South	Comprehensive Modernization

Our follow-up review determined that two of the 11 capital modernization projects--improvements to security at Lakeside and the roofs at Curtis apartments--have been funded by DHCD. We noted that the Authority and DHCD have been working together to rehabilitate the Authority's structures to ensure that all of its housing units are safe and sanitary.

Recommendation

The Authority should continue to appeal to DHCD to provide the necessary modernization funds to address the remaining unfunded requests in a timely manner.

c. Availability of Land to Build Affordable Housing Units

Our prior audit noted that the Authority had the following parcels of land available on which to build additional housing units:

- 667-1 Development Booth Apartments – 2.2 acres.

- Rodney Street – one lot with room for a triplex (land may not be appropriate for development).
- 38-40 Lewis Street – one lot for one duplex.

The need for additional housing at the Authority is justified, considering that there were over 2,000 applicants waiting for state-aided affordable housing.

Our follow-up review determined that the Authority is now actively working with DHCD to develop options for the possible construction of additional housing units..

Recommendation

The Authority should continue to appeal to DHCD to obtain and provide the development funds needed to construct additional affordable housing units.

d. Status of Operating Subsidies Earned, Received, and Outstanding

Our prior audit noted that the Authority's operating subsidy accounts indicated that \$1,549,875 was due the Authority, contrary to DHCD records, which indicated that \$46,729 was due the Authority. Our follow-up review determined that this discrepancy was resolved, the Authority now receives the correct amount of operating subsidies to which it is entitled on a timely basis, and variances are reconciled with DHCD.