



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report-Issued October 11, 2013

Lee Housing Authority

For the period July 1, 2010 through June 30, 2012





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Diane Shepardson, Chair
Lee Housing Authority
155 Marble Street
Lee, MA 01238

Dear Chairwoman Shepardson:

I am pleased to provide this performance audit of the Lee Housing Authority. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2010 through June 30, 2012. My audit staff discussed the contents of this report with management of the Authority.

I would also like to express my appreciation to the Lee Housing Authority for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read 'SMBump'.

Suzanne M. Bump
Auditor of the Commonwealth

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EXECUTIVE SUMMARY

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor (OSA) has conducted an audit of certain activities of the Lee Housing Authority for the period July 1, 2010 through June 30, 2012.

The objectives of our audit were to review and analyze the Authority's internal controls over its procurement of goods and services and to determine whether its procurement activities were efficient and in compliance with the Department of Housing and Community Development's (DHCD's) procurement guidelines and laws, rules, and regulations applicable to state-aided housing programs. In addition, we reviewed the activities related to the Authority's American Recovery and Reinvestment Act award of \$198,343 for the same period.

Based on our audit, we have concluded that, except for the issue addressed in the Detailed Audit Results and Findings section of this report, for the period July 1, 2010 through June 30, 2012, the Authority maintained adequate internal controls in the areas tested and was conducting its procurements in an efficient manner in compliance with DHCD guidelines and laws, rules, and regulations applicable to state-aided housing programs.

Summary of Findings

Contrary to DHCD guidelines, the Authority awarded an attorney two consecutive one-year contracts, totaling \$6,000, for legal services without obtaining the required approval from DHCD. Authority officials told OSA that they were not aware of this requirement.

Recommendation

The Authority should take the measures necessary to ensure that it submits all required contracts to DHCD for approval.

OVERVIEW OF AUDITED AGENCY

The Lee Housing Authority was organized on February 8, 1971, and is authorized by and operates under the provisions of Chapter 121B of the Massachusetts General Laws, as amended. The Authority's management office is located at 55 Marble Street in Lee. The Authority's management oversees 48 units of housing for the elderly and the handicapped, 16 units for families, and 13 units for the developmentally disabled.

AUDIT OBJECTIVES, SCOPE, 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 Lee Housing Authority. The audit covered the period July 1, 2010 through June 30, 2012.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of our audit were to review and analyze the Authority's internal controls over its procurement of goods and services and to determine whether its procurement activities were efficient and in compliance with the Department of Housing and Community Development's (DHCD's) procurement guidelines and laws, rules, and regulations applicable to state-aided housing programs. In addition, we reviewed the activities related to the Authority's American Recovery and Reinvestment Act award of \$198,343 for the same period, which the Authority used to repave its parking lot.

To accomplish our audit objectives, we reviewed the Authority's procurement policies and procedures to verify that they included criteria for compliance with the state's public bidding law (Chapter 30B of the General Laws) and DHCD guidelines. We selected non-statistical samples of purchases of equipment and other commodities made during the audit period to evaluate the Authority's efforts to obtain the best value; to verify compliance with the purchasing requirements of Chapter 30B; and to determine whether the Authority is coordinating with other local entities, such as municipalities, school departments, or regional planning organizations, to purchase goods and services collectively in order to take advantage of potential cost savings through bulk purchasing.

Additionally, we gained an understanding of the internal controls we deemed to be significant to our audit objectives and evaluated the design of these controls. We then performed further audit procedures consisting of tests of control effectiveness and/or substantive procedures that provided evidence pertaining to our audit objectives. Specifically, we performed procedures such as

interviewing personnel, reviewing policies, analyzing records, and examining documentation supporting recorded transactions.

When performing our audit, we relied on hardcopy source documents and therefore did not consider the reliability of the Authority's information system controls. Whenever sampling was used, we applied a non-statistical approach, and as a result, we were not able to project our results to the population.

Based on our audit, we have concluded that, except for the issue addressed in the Detailed Audit Results and Findings section of this report, for the period July 1, 2010 through June 30, 2012, the Authority maintained adequate internal controls in the areas tested and conducted its procurements in an efficient manner in compliance with DHCD guidelines and laws, rules, and regulations applicable to state-aided housing programs.

DETAILED AUDIT RESULTS AND FINDINGS WITH AUDITEE'S RESPONSE**PROCUREMENT OF LEGAL SERVICES LACKED APPROVAL FROM THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

Beginning in December 2010, the Lee Housing Authority entered into two one-year contracts with an attorney to provide legal services¹ to the Authority. These contracts were monthly retainer agreements to provide legal services or representation as needed. The initial contract arranged that the Authority would pay a monthly fee of \$208.34, for a total annual fee of \$2,500, and in exchange, the attorney would provide 15 hours of legal services per year, or 1.25 hours per month. The renewed contract stated that in exchange for a monthly fee of \$291.67, for a total annual fee of \$3,500, the attorney would provide up to 21 hours of legal service per year, or 1.75 hours per month. The Authority entered into this agreement without prior approval by the Department of Housing and Community Development (DHCD), thus risking entering into an agreement whose terms DHCD could have found excessive or invalid.

DHCD's Accounting Manual for State-Aided Housing Program (last updated July 2004), under its description of Account 4130 (Expenses – Legal), states the following:

This account should be charged with retainers and fees paid to attorneys for legal services relating to the operation of the projects.

The terms of an authority's approved contract with its attorney which specifies an amount for either a general retainer fee or set fees for legal work of a specific or extraordinary nature should be consistent with guidelines for legal contracts and must be approved by the Department. . . . Please note that funds for legal service contracts may not be expended until said contracts are approved by the Department.

During our audit, we reviewed the Authority's records related to the award of this contract and noted that the Authority did not obtain DHCD approval for either the original or the renewed contract. According to Authority officials, this attorney was hired because she had done work for the Authority under a DHCD-approved program in the past. After the program ended, the Authority continued to contract with the attorney for services; Authority management was not aware that the Authority had to obtain DHCD's approval for these services.

¹ Legal services are exempt from having to be publicly bid under Chapter 30B of the Massachusetts General Laws.

Recommendation

The Authority should submit all required contracts to DHCD for approval. The Authority should review the laws and regulations pertaining to procurement of goods and services established by the Massachusetts General Laws and DHCD before entering into any contract agreements. In addition, to ensure that it is aware of all current DHCD regulations and/or guideline changes, the Authority should regularly review public housing administration notices posted on the DHCD website.

Auditee's Response

I have reviewed this draft report and found the audit result and finding of Procurement of Legal Services lacked DHCD approval and the explanation that was given are both correct.

The housing authority will follow the recommendation that was stated in the draft and send contracts to DHCD for approval.