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**INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
SHARON HOUSING AUTHORITY
JULY 1, 2005 TO SEPTEMBER 30, 2007**

**OFFICIAL AUDIT
REPORT
JULY 21, 2008**

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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 Sharon Housing Authority for the period July 1, 2005 to September 30, 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.

Based on our review, we have concluded that during the 27-month period ended September 30, 2007, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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STATUS OF PRIOR AUDIT RESULTS

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Our prior audit (No. 2006-0775-3A) of the Sharon Housing Authority disclosed several instances of noncompliance with Chapter II of the State Sanitary Code and the Department of Housing and Community Development's (DHCD) Property Maintenance Guide. Specifically, our previous audit disclosed that (a) noncompliance with the State Sanitary Code existed at the Authority's 667-1, 667-2, and 705-1 state-aided housing developments, (b) modernization requests remained unfunded by DHCD, (c) there was a discrepancy between DHCD's records and the Authority's records regarding the operating subsidy due the Authority, and (d) the Authority did not have an official written preventive maintenance plan to inspect, repair, and upgrade its existing housing units. Our follow-up audit disclosed that the Authority has initiated action to address the prior audit results, as discussed below.

a. Partial Compliance with State Sanitary Code

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Our prior audit of the Authority found instances of noncompliance with Chapter II of the State Sanitary Code at the Authority's 667-1, 667-2, and 705-1 housing developments. 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 follow-up review determined that, although the Authority has taken corrective action to address some of the reported instances of noncompliance, many remained unresolved, primarily due to lack of funding from DHCD. The Executive Director responded that the Authority has made progress addressing many of the State Sanitary Code noncompliance items listed in the original audit report, but that with limited funding available, the Authority needed to prioritize its initiatives.

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, the requests were not funded

by DHCD during the audit period. Our follow-up review determined that all of the Authority's modernization project requests have been funded except for those concerning the handicapped doors and the security door entry system. In its response, the Authority indicated that it will continue to seek funding from DHCD.

c. Status of Operating Subsidies Earned, Received, and Outstanding **4**

Our prior audit found that the Authority's operating subsidy records indicated that \$28,861 was due the Authority, contrary to DHCD's records, which indicated that \$25,991 was due the Authority. Our follow-up review determined that this discrepancy has since been resolved, that the Authority now receives the correct amount of operating subsidies to which it is entitled on a timely basis, and that any variances are reconciled with DHCD.

d. Official Written Property Maintenance Plan Established **5**

Our prior audit found that the Authority did not incorporate DHCD's Property Maintenance Guide into its policies and procedures and did not have an official written preventive maintenance plan to inspect, maintain, repair, and upgrade its existing housing units. Our follow-up review determined that the Authority has revised and implemented a preventive maintenance plan. On a monthly basis, the Executive Director now reviews the preventive maintenance plan with the maintenance mechanic to determine when the required maintenance work is scheduled to be done and maintains a schedule of completed maintenance projects.

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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 Sharon Housing Authority for the period July 1, 2005 to September 30, 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 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 audits 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. 2006-0775-3A), which covered the period July 1, 2003 to June 30, 2005.

Based on our review, we have concluded that during the 27-month period ended September 30, 2007, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested. Also, as discussed in the Audit Results section of our report, the Authority has initiated action to address the issues disclosed in our prior audit report.

AUDIT RESULTS

STATUS OF PRIOR AUDIT RESULTS

Our prior audit (No. 2006-0775-3A) of the Sharon Housing Authority disclosed several instances of noncompliance with Chapter II of the State Sanitary Code and the Department of Housing and Community Development's (DHCD) Property Maintenance Guide. Specifically, our previous audit disclosed that (a) noncompliance with Chapter II of the State Sanitary Code existed at the Authority's 667-1, 667-2, and 705-1 state-aided housing developments, (b) modernization requests remained unfunded by DHCD, (c) there was a discrepancy between DHCD's records and the Authority's records regarding the operating subsidy due the Authority, and (d) the Authority did not have an official written preventive maintenance plan to inspect, repair, and upgrade its existing housing units. Our follow-up review disclosed that the Authority has initiated action to address the prior audit issues, as discussed below.

a. Partial Compliance with State Sanitary Code

Our prior audit of the Authority found instances of noncompliance with Chapter II of the State Sanitary Code at the Authority's 667-1, 667-2, and 705-1 state-aided housing developments. 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 follow-up review determined that the Authority has taken corrective action to address 17 of the previously noted instances of noncompliance. However, the remaining instances still existed, including mold, mildew, water damage to walls and ceilings, ripped wall-to-wall carpeting, no second egress, broken windows, peeling paint, missing tiles, unsecured exterior doors, and floor damage. These conditions continue to exist primarily due to the lack of adequate funding from DHCD. The Executive Director stated that with limited funding available, the Authority must prioritize its initiatives.

Recommendation

The Authority should continue to seek funding from DHCD for the necessary repairs and renovations. In addition, DHCD should obtain and provide sufficient funds to the Authority to ensure safe, decent, and sanitary housing for the Authority's tenants.

Auditee's Response

In response to this issue, the Authority stated, in part:

[The Authority] would like to take this opportunity to emphasize the progress the Authority has made in addressing many of the state sanitary code non-compliance items listed in the original Audit Report (No. 2006-0775-3A). As stated in the Authority's letter of July 27, 2006, some of the issues cited are either structural design or fall within the purview of tenant housekeeping/responsibilities. [See Appendix]

The Sharon Housing Authority applied for and received Community Preservation funds to replace all the roofs at the Chapter 667-1 development and to replace the common area flooring at the Chapter 705-1 housing.

b. Modernization Initiatives Partially Funded

Our prior audit found that although the Authority had applied to DHCD for funding for the following capital modernization projects, these requests were not funded by DHCD during the prior audit period:

- Fire alarm system
- Handicapped-accessible doors
- Sidewalk and roadway repairs
- Exterior painting
- Entry security system
- Roof replacement

Our follow-up review determined that the fire alarm system, sidewalk and roadway repairs, and exterior painting projects were funded by DHCD, and the roof replacement project was funded by the Town of Sharon's Community Preservation Act. However, modernization initiatives for handicapped-accessible doors and the entry security system remain unfunded.

Recommendation

The Authority should continue to seek funding from DHCD to address the two remaining unfunded modernization projects.

Auditee's Response

In response to this issue, the Authority stated, in part:

[The Authority] will continue to apply for any funding opportunities made available through the Department of Housing and Community Development.

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

Our prior audit found that the Authority's operating subsidy accounts indicated that \$28,861 was due the Authority, contrary to DHCD's records, which indicated that \$25,991 was due the Authority. Our follow-up review determined that this discrepancy has since been resolved, that the Authority now receives the correct amount of operating subsidies to which it is entitled on a timely basis, and that any variances are reconciled with DHCD.

d. Official Written Property Maintenance Plan Established

Our prior audit found that the Authority did not incorporate DHCD's Property Maintenance Guide into its policies and procedures and did not have an official written preventive maintenance plan to inspect, maintain, repair, and upgrade its existing housing units. Our follow-up review determined that the Authority has revised and implemented its preventive maintenance plan. On a monthly basis, the Executive Director now reviews the preventive maintenance plan with the maintenance mechanic to determine when the required maintenance work is scheduled to be done and maintains a schedule of completed maintenance projects.

APPENDIX

Follow-up Status of State Sanitary Code Noncompliance Issues Disclosed in Prior Audit Report No. 2006-0775-3A

A = Corrective action taken B= Condition still exists C= Design error or building use change

Hixson Farm Road 667-1 Development

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
15 B Hixson Farm Road	-B- Mildew and water damage on bathroom ceiling	105 CMR 410.750
	-C- Unsecured exterior door	105 CMR 410.480
	-B- Condensation between exterior window panes in living/dining room	105 CMR 410.501
23 A Hixson Farm Road	-C- Unsecured exterior door	105 CMR 410.480
	-A- Floor defects, trip hazard in living /dining room	105 CMR 410.504
	-A- Ceiling paint chipping and cracking	105 CMR 410.500
	-A- Water damage on bathroom ceiling	105 CMR 410.500
	-B- Rear door needs paint repair	105 CMR 410.500
	-A- Roof shingles need full repair	105 CMR 410.500
	-B- Hallway stairwell bottom defective	105 CMR 410.500
27 D Hixson Farm Road	-C- Unsecured exterior door	105 CMR 410.480
	-B- Living room/dining room and bedroom ceiling paint chipping and cracking	105 CMR 410.500
31 B Hixson Farm Road	-C- Unsecured exterior door	105 CMR 410.480
	-A- Kitchen floor cracked	105 CMR 410.504
	-A- Floor damage, trip hazard in kitchen	105 CMR 410.504

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
33 B Hixson Farm Road Handicapped Unit	-A- Bathroom ceiling mildew and water damage	105 CMR 410.750
	-B- Permanent stained floor	105 CMR 410.504
	-C- Unsecured exterior door	105 CMR 410.480
	-B- Floor damage in all rooms	105 CMR 410.500
	-B- Missing tiles causing trip hazard in all rooms	105 CMR 410.504
	-B- Kitchen and bathroom mildew and water damage	105 CMR 410.750
	-B- Kitchen countertop damage	105 CMR 410.100
	-B- Bathroom tub dented and chipped	105 CMR 410.150
	-B- Rear bedroom exit not handicapped-accessible	105 CMR 410.450
	-A- Roof shingles need full repair	105 CMR 410.500
Outside Area	-A- Decrepit shed	105 CMR 410.500

Hixson Farm Road
667-2 Development

#13 at 26 Hixson Farm Road	-B- Carpet flooring needs repair	105 CMR 410.504
	-B- Living room and bedroom carpet a trip hazard	105 CMR 410.504
	-B- Living room walls cracked	105 CMR 410.500
	-B- Bedroom walls cracked	105 CMR 410.500
	-A- Mildewed ceilings, no window in bathroom	105 CMR 410.750
	-B- Kitchen counter has chips/cracks under sink cabinet	105 CMR 410.100
	-C- No second egress	105 CMR 410.450
	-B- Exterior siding damage	105 CMR 410.500

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
#19 at 26 Hixson Farms Road	-A- Mildew in bathroom	105 CMR 410.750
	-B- Kitchen counters stained and worn	105 CMR 410.100
	-C- No second egress	105 CMR 410.450

21 South Pleasant Street
705-1 Development

#2 at 21 South Pleasant Street Basement Unit	-B- Living room ceiling needs re-plastering	105 CMR 410.500
	-B- Kitchen ceiling needs re-plastering	105 CMR 410.500
	-B- Bathroom ceiling needs re-plastering due to water damage and mildew	105 CMR 410.750
#4 at 21 South Pleasant Street 1 st floor	-A- Entry door coming apart and warped	105 CMR 410.480
	-A- Kitchen floor cracked/trip hazard	105 CMR 410.504
	-A- Hallway floor tiles missing	105 CMR 410.504
	-A- Hallway area walls cracked	105 CMR 410.500
	-C- No second egress	105 CMR 410.450
	-B- Bathroom ceiling needs re-plastering from water damage	105 CMR 410.500
	-B- Bathroom sink cracked	105 CMR 410.100
	-B- Living room/dining room carpet ripped, tile raised and missing from kitchen floor	105 CMR 410.504

<u>Location</u>	<u>Noncompliance</u>	<u>Regulation</u>
	-A- Hallway area missing tile	105 CMR 410.504
	-B- Kitchen wall defective above stove	105 CMR 410.500
	-B- Electrical outlet not covered in bedroom #2	105 CMR 410.250
	-B- Bedroom # 1 window broken	105 CMR 410.480
	-B- Bedroom #2 gap between frame and building structure	105 CMR 410.500
	-B- Bathroom ceiling needs re-plastering	105 CMR 410.500
	-A- Hallway needs re-plastering, water damage near smoke detector	105 CMR 410.500
21 South Pleasant Street Exterior and Common Area	-B- Outside wall missing cement	105 CMR 410.500
	-B- Stockade fence broken	105 CMR 410.500
	-B- No screens on common porch windows	105 CMR 410.551
	-B- Handrail missing and hardware juts out of wall	105 CMR 410.503
	-B- Outside door rusted	105 CMR 410.500
	-B- Exterior door aged with wear and tear	105 CMR 410.500
