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INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
NORTHAMPTON HOUSING AUTHORITY
JULY 1, 2006 TO JUNE 30, 2008

OFFICIAL AUDIT
REPORT
DECEMBER 3, 2008

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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 Northampton Housing Authority for the period July 1, 2006 to June 30, 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 condition noted in our prior audit report (No. 2005-0740-3A).

Based on our review, we have concluded that, during the 24-month period ended June 30, 2008, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

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PRIOR AUDIT RESULT RESOLVED - USE OF AUTHORITY CELL PHONES

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Our prior audit (2005-0740-3A) revealed that the Authority incurred significant cell phone charges amounting to \$12,188 during the period July 1, 2003 to May 31, 2005 as a result of not having a Department of Housing and Community Development required use policy in place and not adequately monitoring the usage of its cell phones. Consequently, we noted that the average cost of the Authority's cell phones increased 55%, from \$420 per month to \$650 per month, between fiscal years 2004 and 2006. We discussed this matter with the Executive Director, who concurred that there appeared to be occasional questionable use of the Authority's cell phones, and stated that he was in the process of establishing a policy for cell phone usage in accordance with DHCD budget guidelines. During our current audit, we determined that the Authority has monitored the cell phone use of its employees and has received reimbursement from its employees for telephone calls unrelated to Authority business.

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 Northampton Housing Authority for the period July 1, 2006 to June 30, 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 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 verify 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 that the Authority was complying 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 issue noted in our prior report (No. 2005-0740-3A).

Based on our review, we have concluded that, during the 24-month period ended June 30, 2008, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

PRIOR AUDIT RESULT RESOLVED - USE OF AUTHORITY CELL PHONES

Our prior audit (No. 2005-0740-3A) revealed that the Authority incurred significant cell phone charges amounting to \$12,188 during the period July 1, 2003 to May 31, 2005 as a result of not having a Department of Housing and Community Development (DHCD) required use policy in place and not adequately monitoring the usage of its cell phones. Consequently, we noted that average cost of the Authority's cell phones increased 55%, from \$420 per month to \$650 per month, between fiscal years 2004 and 2006. We discussed this matter with the Executive Director, who concurred that there appeared to be occasional questionable use of the Authority's cell phones, and stated that he was in the process of establishing a policy for cell phone usage in accordance with DHCD budget guidelines.

On September 12, 2005, subsequent to our prior audit fieldwork, the Board approved a Cellular Telephone Use Policy, which states:

Staff provided with phones should use them for work related purposes only. Each month an employee assigned a cellular telephone will be given the bill for the prior month's use. The employee will review the bill and reimburse the NHA for any non-business calls at a rate equal to that charged the NHA by the cellular telephone provider.

Our current audit revealed that the Authority has monitored the cell phone use of its employees and has received reimbursement from its employees for cell phone use that is not Authority business.