



# The Commonwealth of Massachusetts

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

**OFFICIAL AUDIT  
REPORT  
AUGUST 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 Millbury 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. 2006-0724-3A). Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, 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.

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### AUDIT RESULTS

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#### 1. PRIOR AUDIT RESULT RESOLVED – OFFICIAL WRITTEN PROPERTY MAINTENANCE PLAN ESTABLISHED

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Our prior audit of the Authority, which covered the period July 1, 2003 to June 30, 2005, noted that the Authority did not incorporate the Department of Housing and Community Development's (DHCD) 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 follow-up review noted that the Authority has established an official written preventive maintenance plan and incorporated the plan into its Property Maintenance Guide.

#### 2. PRIOR AUDIT RESULT PARTIALLY RESOLVED – NONCOMPLIANCE WITH STATE SANITARY CODE

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Our prior audit identified 30 instances of noncompliance with Chapter II of the State Sanitary Code, including mold and mildew, broken windows, rodent infestation, water damage, damaged flooring, and a house (705-1 North Main Street) that was vacant and in need of total refurbishment. Our follow-up review indicated that 26 of the 30 previously identified sanitary code violations remained unresolved, with eight violations found at 21 Forest Drive (upstairs unit) and 18 violations still existing at 256 North Main Street, a vacant house in need of total refurbishment. However, funds are not currently available to refurbish the North Main Street house, which the Authority boarded up during the current audit period. Our inspections also revealed, however, that the sanitary code violations noted in our prior audit at 21 Forest Drive (downstairs unit), Colonial Drive, and Memorial Drive have all since been corrected. Additionally, our inspections of four 667-3 elderly housing units at 95 Elm Street and two 705-1 family housing units at 98 Burbank Street and 230 West Main Street revealed that all six units are currently in full compliance with the State Sanitary Code. The Authority indicated in its response that it is working with DHCD to resolve any ongoing sanitary code issues.

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**3. PRIOR AUDIT RESULTS UNRESOLVED** **4**


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Our prior audit report also noted deficiencies in the areas of (a) vacant unit reoccupancy and (b) unfunded modernization initiatives. Our follow-up revealed that these issues remained unresolved, as discussed below:

**a. Vacant Units Not Reoccupied within DHCD Guidelines** **4**


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Our prior audit disclosed that unit vacancies in excess of DHCD's 21-workday guideline had increased to an average of 71 days during fiscal years 2004 and 2005, resulting in lost potential rental income for the period. Our follow-up review found that the Authority continued to exceed DHCD's guidelines for filling vacant units, now by an average of 69 days. As a result, the Authority lost the opportunity to earn additional rental income totaling \$31,808 during our current audit period. However, we also noted that the excess vacancy losses were due, in part, to factors over which the Authority has limited control, such as difficulties in renting its less-desirable second-floor and congregate housing units, which represented potential vacancy losses of \$4,069 and \$1,223, respectively. In its response, the Authority indicated that it is requesting authorization from DHCD to move the 50 year-old units that are in very poor condition to off-line status.

**b. Modernization Initiatives Not Funded** **5**


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Our prior audit found that although the Authority had applied to DHCD for funding for its capital modernization projects for state-aided managed properties, the request was not funded by DHCD during the audit period. Our follow-up review determined that the Authority has yet to receive funding for its capital modernization projects. The Authority should continue to appeal to DHCD to provide the necessary funds to complete its capital modernization projects.

## 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 Millbury 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 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 tenants 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.
- 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's 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.
- The Authority's progress in addressing the issues noted in our prior audit report (No. 2006-0724-3A).

Based on our review, we have concluded that except for the issues addressed in the Audit Results section of this report, 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.

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## AUDIT RESULTS

### 1. PRIOR AUDIT RESULTS RESOLVED – OFFICIAL WRITTEN PROPERTY MAINTENANCE PLAN ESTABLISHED

Our prior audit (No. 2006-0724-3A) of the Millbury Housing Authority, which covered the period July 1, 2003 to June 30, 2005, noted that the Authority did not incorporate the Department of Housing and Community Development's (DHCD) 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 follow-up review noted that the Authority has established an official written preventive maintenance plan and incorporated it into its Property Maintenance Guide.

### 2. PRIOR AUDIT RESULT PARTIALLY RESOLVED – NONCOMPLIANCE WITH STATE SANITARY CODE

Our prior audit identified 30 instances of noncompliance with Chapter II of the State Sanitary Code, including mold and mildew, broken windows, rodent infestation, water damage, damaged flooring, and a house (705-1 North Main Street) that was vacant and in need of total refurbishment.

During our current review, we conducted follow-up inspections of the units where sanitary code violations were identified in our prior audit (Forest Drive - Family Housing 705-1; North Main Street and Memorial Drive - Family Housing 200-1; and Linden Drive, Colonial Drive, and Centerview Drive - Elderly/Handicapped Housing 667). Our April 10 and 11, 2008 inspections noted 26 instances of noncompliance with Chapter II of the State Sanitary Code, including mold and mildew, broken windows, water damage, and damaged flooring. These 26 unresolved violations were found in two 705-1 family homes, with eight violations reported at 21 Forest Drive (upstairs unit) and 18 violations continuing at 256 North Main Street, a vacant house in need of total refurbishment. However, funds are not currently available to refurbish the North Main Street house, which the Authority boarded up during the current audit period. Our inspections also revealed, however, that the sanitary code violations previously found at 21 Forest Drive (downstairs unit), Colonial Drive, and Memorial Drive have all since been corrected.

Additionally, we inspected four 667-3 units located at 95 Elm Street and two 705-1 units located at 98 Burbank Street and 230 West Main Street and we found that all six units were in full compliance with the State Sanitary Code.

***Recommendation***

The Authority should continue to seek funding from DHCD to address the issues noted during our inspections of the Authority. Moreover, DHCD should obtain and provide sufficient funds to the Authority in a timely manner so that it may provide safe, decent, and sanitary housing for its tenants.

***Auditee's Response***

In its response, the Authority's Executive Director stated, in part:

*The boarded-up unoccupied 705 unit at 256 North Main Street, which is the reason for many of the non-compliance with the state sanitary code issues, has been referred to a "special projects" person at DHCD. I am hopeful that a resolution to this on-going problem will be forthcoming. I am also hopeful, now that we have the draft report from DHCD's consultant, EMG, relative to all our 705 units, that funds will be made available to address the issues at 21 Forest Drive.*

**3. PRIOR AUDIT RESULTS UNRESOLVED**

Our prior audit report also noted deficiencies in the areas of (a) vacant unit reoccupancy and (b) unfunded modernization initiatives. Our follow-up revealed that these issues remained unresolved, as discussed below:

**a. Vacant Units Not Reoccupied within DHCD Guidelines**

Our prior audit disclosed that unit vacancies in excess of DHCD's 21-workday guideline had increased during fiscal years 2004 and 2005, resulting in a lost opportunity to earn additional rental income for the period. We noted that the Authority's average turnaround time for reoccupying vacant units was 71 days.

Our follow-up review found that the Authority continued to exceed DHCD's guidelines for filling vacant units, now by an average of 69 days. As a result, the Authority lost the opportunity to earn approximately \$31,808 in additional rental income.

The Authority indicated that when a unit becomes vacant, it uses its existing maintenance staff to bring the vacant units up to standards.

We noted that the excess vacancy losses were due, in part, to factors over which the Authority has limited control, such as difficulties in renting its less-desirable congregate and second-floor housing units, which represented potential vacancy losses of \$4,069 and \$1,223, respectively.

### ***Recommendation***

To help attract applicants, the Authority should continue to use advertising in a judicious and efficient manner, while also consider marketing alternatives such as open houses and information sessions at area senior citizen centers. Moreover, the Authority should work with public officials at all levels to increase its waiting list of eligible applicants and reduce vacancies. Furthermore, the Authority should ensure that its vacant units are refurbished and reoccupied within the timeframe established by DHCD.

### ***Auditee's Response***

In its response, the Authority's Executive Director stated, in part:

*In order to address the issue of vacant units not occupied within DHCD guidelines, I am now requesting off-line status for units that are in very poor condition and will require extensive rehab time. Primarily the units that require off-line status when vacant are those family units that are more than 50 years old. I also want to emphasize that our maintenance staff does most of the rehab work that needs to be done in our vacant units. Consequently, while we may lose revenue due to longer reoccupation time there is substantial savings because we do not have to hire outside contractors to do the work.*

### **b. Modernization Initiatives Not Funded**

Our prior report noted that the Authority had applied to DHCD for funding for capital modernization projects for its state-aided properties. Specifically, the Authority requested funding from DHCD in Conditions Assessment Reports, for the following projects:

<u>Date of Request</u>	<u>Housing</u>	<u>Description</u>	<u>Date Funding Denied</u>
10/06/98	Elderly	Paving Sidewalks	02/99
10/10/01	Elderly	Replacement of Hot Water Tanks	12/02
10/10/01	Elderly	Roof Replacement	12/02
10/10/01	Family	Window Replacement	Awarded then Rescinded - 2004

The Authority indicated in our prior report that it had to use its reserve funds for various modernization projects over the last several years, as follows:

*Whenever we have approached DHCD with a request for modernization money, we have been told that as long as we have reserve money we would have to use that first. So, that's what we have done. . . .*

*We have, in recent years, been able to put \$500,000.00 of our reserve funds into such projects as residing twenty five family units in the 200 development; repaving sidewalks and the street in our 667-2 elderly/handicapped development; and, upgrading the fire alarm system, which had failed the state inspection at least twice, in that same development.*

*We have depleted our reserve money now and need to have some means to secure funds needed for essential modernization projects.*

*In the last couple of years, because of escalating utility costs, increases in employee benefit costs such as retirement assessments and health and dental insurance, the increase in the cost of maintenance materials, etc., we have found that we are no longer able to count on being able to save money to fund any large modernization needs. In fact, I fear that if something doesn't change, our once profitable, independent housing authority will need a subsidy to operate.*

Our prior report noted that deferring or denying the Authority's modernization needs may result in further deteriorating conditions that could render the units and buildings uninhabitable, and that deferring the modernization needs into future years will cost the Commonwealth's taxpayers additional money due to inflation, higher wages, and other related costs.

Our follow-up review determined that the Authority has yet to receive funding from DHCD to complete its modernization projects.

### ***Recommendation***

The Authority should continue to appeal to DHCD for the modernization funds needed to remedy these issues in a timely manner. Moreover, the Authority should continue to apply for reimbursement of the funds always spent from its reserves so that it may continue in its efforts to modernize all of its units and meet the minimum standards for safe, decent, and sanitary housing for its tenants.