



# The Commonwealth of Massachusetts

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**INDEPENDENT STATE AUDITOR'S REPORT  
ON CERTAIN ACTIVITIES OF THE  
WILLIAMSTOWN HOUSING AUTHORITY  
OCTOBER 1, 2005 TO JULY 31, 2007**

**OFFICIAL AUDIT  
REPORT  
APRIL 22, 2008**

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## TABLE OF CONTENTS/EXECUTIVE SUMMARY

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### INTRODUCTION

1

The Williamstown Housing Authority was organized on December 5, 1974 pursuant to Chapter 121B of the Massachusetts General Laws as a state-aided housing project composed of 30 Elderly (Chapter 667), eight Family (Chapter 705), eight Special Needs (Chapter 689), and eight Massachusetts Rental Voucher Program (MRVP) housing units located in Williamstown. In accordance with Chapter 11, Section 12, of the General Laws, we have conducted an audit of certain activities of the Authority for the period October 1, 2005 to July 31, 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, except for the issues addressed in the Audit Results section of this report, during the 22-month period ended July 31, 2007, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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### AUDIT RESULTS

3

#### 1. EMPLOYEE ACCRUED LEAVE BALANCES MISCALCULATED

3

Our review of the Authority's leave records indicated that its employees had accrued vacation time and sick leave balances totaling 1,174 hours, or \$10,379 as of September 30, 2006. However, the Authority's year-end financial report to the Department of Housing and Community Development (DHCD) reflected accrued employee compensated leave balances totaling \$2,033. We determined that the \$8,346 difference was the result of an error in calculation. In its response, the Authority responded that this calculation error would be addressed and corrected by its fee accountant.

#### 2. EXCESSIVE VACANCIES RESULTING IN APPROXIMATELY \$7,343 IN LOST POTENTIAL RENTAL INCOME

4

Our review of the Authority's vacant unit turnaround time disclosed that the Authority did not fill vacant units within the timeframe established by DHCD. Specifically, DHCD requires that housing authorities have vacated units readied for occupancy within 21 business days. However, we found that the Authority had six units that remained unoccupied for a total of 782 days beyond DHCD's recommended 21-day guideline. Consequently, the Authority may have lost the opportunity to earn approximately \$7,343 in potential rental income. In its response, the Authority identified several reasons for the delays, including a shortage of maintenance staff, six unit vacancies at one time, and an absence of applicants for its vacant four-bedroom unit. The Authority also stated that it used an outside contractor to paint a vacant unit, notified other Authorities about its available units, advertised in the local newspaper for potential tenants, and sought financial assistance from DHCD to help resolve this matter.

#### 3. NONCOMPLIANCE WITH PAYMENT IN LIEU OF TAXES (PILOT) AGREEMENT RESULTING IN \$7,003 OWED TO THE TOWN OF WILLIAMSTOWN

5

Our audit disclosed that the Authority was not in compliance with the terms of its PILOT agreement with the town of Williamstown. Specifically, although the agreement requires the Authority to make PILOT payments to the town annually, we found that the Authority made such payments only once every three years. Moreover, the Authority did not use the tax rate specified within its PILOT agreement and did not include its Chapter 689 units within its PILOT payment calculations, as required by DHCD. Consequently, we determined that the Authority underpaid the Town of Williamstown \$7,003 during the audit period. In its response, the Authority indicated that it did not concur with our assessment that PILOT payments totaling \$7,003 are owed to the Town of Williamstown.

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#### **4. INADEQUATE INTERNAL CONTROLS OVER CERTAIN ADMINISTRATIVE FUNCTIONS**

8

Our review identified that the Authority did not require its employees to submit travel vouchers to document their business-related travel expenses. Instead, employees requested travel reimbursements on informal documents, such as calendars and hand-written logs, that did not include the traveler's signature, a supervisor's approval, or travel locations. In addition, the Authority's internal controls over cash disbursements require that the Executive Director and a Board Officer sign all checks issued by the Authority. Although the Executive Director fulfilled her responsibility during the audit period, we found that the Executive Director controlled a signature stamp that she used for the Board Officer's required signature. Lastly, Chapter 30B, Section 12, of the General Laws provides that contracts exceeding three years, including renewal, must be authorized by a vote of the Board of Commissioners. However, the Authority's Board of Commissioners did not vote to authorize the Authority's 10-year contract with its washer/dryer vendor. In its response, the Authority included copies of its revised employee travel vouchers, which now ensure that travel reimbursements are reasonable, allowable and allocable. In addition, the Authority explained that custody of the signature stamp has been given to a Board Member. Finally, although the Authority stated that the Board approves all contracts, it did not provide documentation to support that its washer dryer contract received appropriate Board approval.

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#### **5. INADEQUATE INTERNAL CONTROLS OVER EMPLOYEE PAYROLL RECORDS AND LEAVE TIME BENEFITS**

10

Our review disclosed that the Authority needed to strengthen its internal controls over employee payroll records and leave time benefits. Specifically, we found that (a) employee timesheets were not properly signed and authorized, and (b) employees' sick time balances were improperly increased in December 2006, resulting in an excess payment to one employee upon his retirement totaling \$691.84. In its response, the Authority indicated that its employees are now signing their timesheets, and the Board will sign approval for the Executive Director. In addition, the Authority stated that the Board voted to increase the level of allowable accumulated sick leave from 60 days to 120 days in December 2006, based on the practices of the Town of Williamstown and other local housing authorities, and that the increase from 60 days to 120 days was made

immediately due to the length of service of the Authority's 3 employees (all over 23 years). However, our review disclosed that the Authority's new sick leave policy did not state that the change from 60 to 120 sick days was intended to occur immediately, rather, the new policy states that employees may accrue this additional benefit over time.

## INTRODUCTION

### ***Background***

The Williamstown Housing Authority (Authority) was organized on December 5, 1974 pursuant to Chapter 121B of the Massachusetts General Laws. The Authority is composed of 30 Elderly (Chapter 667), eight Family (Chapter 705), eight Special Needs (Chapter 689), and eight Massachusetts Rental Voucher Program (MRVP) housing units located in Williamstown.

### ***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 Authority for the period October 1, 2005 to July 31, 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.

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's 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.

- Property and equipment inventory-control procedures to determine whether the Authority properly protected and maintained its resources in compliance with DHCD regulations.
- 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 22 months ended July 31, 2007 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.
- Compliance with DHCD rules and regulations pertaining to the Massachusetts Rental Voucher Program.
- Operating reserve accounts to substantiate 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.

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 22-month period ended July 31, 2007, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

## AUDIT RESULTS

### 1. EMPLOYEE ACCRUED LEAVE BALANCES MISCALCULATED

Our review of the Williamstown Housing Authority's leave records indicated that its employees had accrued vacation time and sick leave balances totaling 1,174 hours, or \$10,379 as of September 30, 2006. However, the Authority's year-end financial report to the Department of Housing and Community Development (DHCD) reflected accrued employee compensated leave balances totaling only \$2,033. We determined that the \$8,346 difference was the result of an error in calculation.

DHCD's Accounting Manual For State-Aided Housing Programs is intended to assist local housing authorities in setting up and maintaining a proper accounting system that will allow for the accumulation of accurate accounting data and the timely and proper reporting of financial information for all DHCD programs. According to Section 8 of the Accounting Manual, local housing authorities are responsible for developing and implementing a system of internal controls to safeguard the assets of the organization and ensure the accuracy and reliability of accounting data. Moreover, Section 8 requires local housing authorities to observe certain fundamental internal control requirements, including the use of forms, documents, and procedures that facilitate control and provide for proper approvals.

In accordance with DHCD's Accounting Manual, the Authority maintained payroll records that tracked each of its employee's compensated leave balances. However, as detailed in the table below, when preparing its year-end financial statements, the Authority made a calculation error, which caused it to understate its accrued compensated balances to DHCD.

| <u>Employee</u>      | <u>Leave Balance</u> <sup>1</sup> | <u>Hourly Rate</u> | <u>Amount</u>      | <u>Reported<br/>Amount</u> | <u>Variance</u>   |
|----------------------|-----------------------------------|--------------------|--------------------|----------------------------|-------------------|
| Executive Director   | 179.775 hrs.                      | \$22.90            | \$4, 116.85        | \$ 548.91                  | \$3,567.94        |
| Administrative Asst. | 131.788                           | \$14.91            | 1,964.97           | 409.37                     | 1,555.60          |
| Maintenance Worker   | 302.00                            | \$14.23            | <u>4,297.46</u>    | <u>1,074.37</u>            | <u>3,223.09</u>   |
| Total                |                                   |                    | <u>\$10,379.28</u> | <u>\$2,032.65</u>          | <u>\$8,346.63</u> |

<sup>1</sup> Leave balance represents the amount of vacation time and sick leave hours allocable to state programs.

***Recommendation***

The Authority should develop and implement policies and procedures to ensure the accurate reporting of accrued compensated absences to DHCD. Moreover, the Authority should adjust its fiscal year 2006 financial statements to accurately reflect the \$10,379.28 in accrued employee compensated leave balances.

***Auditee's Response***

*The calculation error will be addressed and corrected the next time our fee accountant is here.*

**2. EXCESSIVE VACANCIES RESULTING IN APPROXIMATELY \$7,343 IN LOST POTENTIAL RENTAL INCOME**

Our review of the Authority's vacant unit turnaround time disclosed that the Authority did not fill vacant units within the timeframe established by DHCD. Specifically, DHCD requires that housing authorities shall have vacated units readied for occupancy within 21 business days. However, we found that the Authority had six units that remained unoccupied for a total of 782 days beyond DHCD's 21-day guideline. Consequently, the Authority may have lost the opportunity to earn approximately \$7,343 in potential rental income during the period under audit. The table below details the six units that were not occupied on a timely basis.

| <u>Program Chapter</u> | <u>Unit Number</u> | <u>Excess Days Vacant</u> | <u>Lost Potential Rental Income</u> |
|------------------------|--------------------|---------------------------|-------------------------------------|
| 667                    | B-4                | 13                        | \$ 122.07                           |
| 667                    | B-9                | 62                        | 582.18                              |
| 667                    | A-13               | 7                         | 65.73                               |
| 667                    | A-10               | 26                        | 244.14                              |
| 705                    | S-373              | 84                        | 788.76                              |
| 705                    | S-383              | <u>590</u>                | <u>5,540.10</u>                     |
| Total                  |                    | <u>782</u>                | <u>\$7,342.98</u>                   |

We also noted that after the Authority readied the six units for occupancy, delays in filling the units occurred for three reasons. First, the shortage of available tenants on the Authority's

waiting list resulted in the list being occasionally exhausted without a qualified tenant being identified. Second, according to the Authority's records, several potential tenants either were unable to provide acceptable references or could not pass a Criminal Offender Record Information check. Third, certain of the vacated units were located on the second floor, and could not be accessed without physical difficulty.

### ***Recommendation***

The Authority should continue its efforts to expand the number of potential applicants on its waiting list.

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

*This agency employs one part time maintenance person who only works 20 hours per week and maintains 46 units of State-owned public housing. It is unfortunate when more than one vacancy occurs at a time as it is very difficult for one person to turn over a unit while performing all other tasks that arise on a daily basis. We did experience a nightmare of a time when we had six vacancies all at once. We were able to contract out for one family unit to be painted at a cost of \$1,700. We would have loved to hire out others but had not funds to do so. I contacted DHCD and they were trying to find ways to provide additional funds. In the meantime we received notice from our maintenance man of 23 years that he was retiring in November and we needed to find a replacement for him. We did so. We stayed in contact with DHCD about the units and kept working on them. All units were completed and we have leased four of them. We expect to lease another in February but will then have our 4-bedroom (383 Stetson Rd.) vacant again. The 4BR is extremely difficult to rent and still comply with the DHCD household composition regulations. Our waiting list is now void of 4BR applicants. The unit that accrued the greatest lost potential rental income (\$5,540.10 according to your report) is the 4-bedroom at 383 Stetson Road. We have notified other LHAs, asked Section 8 applicants to apply for 705 family housing, and advertised in the local paper.*

### ***Auditor's Reply***

Based upon the Authority's response, it has taken appropriate steps to fill its vacant units within the timeframe mandated by DHCD. However, we again recommend that the Authority continue its efforts to expand the number of potential applicants on its waitlist.

### **3. NONCOMPLIANCE WITH PAYMENT IN LIEU OF TAXES (PILOT) AGREEMENT RESULTING IN \$7,003 OWED TO THE TOWN OF WILLIAMSTOWN**

Our audit identified that the Authority was not in compliance with the terms of its Payment In Lieu of Taxes (PILOT) agreement with the Town of Williamstown. Specifically, although the agreement requires the Authority to make PILOT payments to the town annually, the Authority

made its PILOT payments only once every three years. Moreover, the Authority did not use the tax rate specified within its PILOT agreement and did not include its Chapter 689 units within its PILOT payment calculations, as required by DHCD. Consequently, we determined that the Authority underpaid the Town of Williamstown approximately \$7,003 during the audit period.

Chapter 121B, Section 16, of the General Laws authorizes cities or towns in which a local housing authority (LHA) is located to assess a PILOT payments upon local housing authorities. The Town of Williamstown and the Authority signed a PILOT Agreement dated December 20, 1987, which stated, in part:

*The Authority shall make annual payments in lieu of such taxes and in payment for the public services and facilities furnished from time to time without other cost or charge for or with respect to such housing. Each annual Payment in Lieu of Taxes shall be made at the time when real property taxes on such housing would be paid if it were subject to taxation and shall be in an amount not to exceed: (½ Full Value Tax Rate) + \$100 x number of bedrooms.*

In addition, DHCD's Accounting Manual, Section 15 G, states, in part:

*LHAs may make Payment In Lieu of Taxes (PILOT) in accordance with the applicable provision of the "PILOT Agreement" with the local taxing body for certain management projects.*

*PILOT is determined separately for each program as follows:*

*Chapter 667 – None*

*Chapter 707 – None*

*Chapter 200 – Maximum \$3.00 PUM*

*Chapter 705 – (a) Not to exceed the amount that would be levied at the current tax rate upon the average of the assessed value of such real estate, including buildings and other structures, for the three years preceding the year of acquisition thereof, the valuation for each year being reduced by all abatements thereon; or*

*(b) Not to exceed the amount of ½ Full Value Tax Rate + \$100 times the number of bedrooms.*

*Chapter 689 – Same formula as Chapter 705 (b)*

The Authority paid a \$2,240.70 PILOT to the Town of Williamstown for the three fiscal years ended June 30, 2007. However, based upon the terms of its PILOT Agreement and DHCD's Accounting Manual, the Authority's PILOT during the period should have totaled \$9,243.75.

Consequently, as detailed in the table below, the Authority owes the Town of Williamstown \$7,003.05.

| Fiscal Year | PILOT Payments |            | PILOT Due  |            | Variance    |
|-------------|----------------|------------|------------|------------|-------------|
|             | Chpt. 689      | Chpt.705   | Chpt.689   | Chpt.705   |             |
| 2005        | -              | -          | \$ 854.72  | \$2,243.64 | \$ 3,098.36 |
| 2006        | -              | -          | 847.60     | 2,224.95   | 3,072.55    |
| 2007        | -              | \$2,240.70 | 847.68     | 2,225.16   | 832.14      |
| Totals      | -              | \$2,240.70 | \$2,550.00 | \$6,693.75 | \$7,003.05  |

### **Recommendation**

The Authority should develop and implement policies and procedures that provide for accurate and timely PILOT payments. In addition, the Authority should meet with responsible officials from DHCD and the Town of Williamstown to review any past-due PILOT amounts and to determine the appropriate future course of action.

### **Auditee's Response**

The Authority's Executive Director stated, in part:

*I do not agree that we owe the Town \$7,003. We have never received a bill from the Town for any PILOT payment. I attended a fall conference where a DHCD employee talked about the PILOT payment and told us that if we did not receive a bill for payment or for an increase that we could continue to pay as we had been doing. This was during the long spell of years with no funding increases of any kind to our budgets, at all. We have continued to pay on a three-year basis and we are current to date. The Town is not asking for any additional funds. We will make payments annually in the future.*

### **Auditor's Reply**

We commend the Authority's decision to make all future PILOT payments annually. Also, although the Town of Williamstown may not have asked for additional funds and did not submit an invoice during the audit period reviewed, this does not excuse the Authority from meeting its financial obligations as stipulated under the PILOT agreement. As noted in the audit result, the Authority incorrectly calculated the PILOT due. Therefore, we continue to recommend that the Authority make arrangements for the payment of its past due PILOT amounts with appropriate town officials. Finally, we reiterate that the Authority should meet with responsible DHCD

officials, as the Authority's description of the advice provided by a DHCD employee at a conference appears to be inconsistent with DHCD's Accounting Manual, the Massachusetts General Laws, and the Authority's fiduciary responsibility to the Town of Williamstown.

#### 4. INADEQUATE INTERNAL CONTROLS OVER CERTAIN ADMINISTRATIVE FUNCTIONS

Our review identified that the Authority needs to strengthen its internal controls over certain administrative functions, including documenting employee travel costs, cash disbursements, and contract administration. The DHCD Accounting Manual provides guidance to LHAs that help ensure that adequate internal controls are maintained over administrative functions. Specifically, Section 8 of the Accounting Manual states, in part:

*The management of each Local Housing Authority is responsible for developing and implementing a system of internal control which will:*

- *Safeguard the assets of the organization.*
- *Assure the accuracy and reliability of accounting data.*
- *Promote operational efficiency.*
- *Encourage adherence to prescribed Managerial Policies, State Statutes, and DHCD Rules and Regulations.*

Moreover, Section 8 of DHCD's Accounting Manual specifies that each LHA needs to observe the following fundamental requirements in establishing an effective system of internal control:

- An organizational plan which provides for definite placement of responsibility and for specific lines of responsibility.
- A division of duties between authorization and record-keeping so that the activities of one employee act as a check on those of another.
- The use of forms, documents, and procedures that facilitate control and provide for proper approvals.
- An auditing method for compliance with policies and procedures, particularly those relating to transactions reflected in the books and records.

However, our review identified weaknesses within the Authority's internal control system that affected employee travel during the audit period. Specifically, the Authority did not require its employees to submit travel vouchers with supporting documentation for their business-related

travel expenses. Instead, employees requested travel reimbursements on informal documents such as calendars and hand-written logs, which did not include the traveler's signature, a supervisor's approval, or travel locations. In addition, the Authority incorrectly reported minor amounts of its fiscal year 2006 travel expenses on its fiscal year 2007 financial statements.

Moreover, the Authority's internal controls over cash disbursements require that the Executive Director and a Board Officer sign all checks issued by the Authority. However, we found that although the Executive Director fulfilled her responsibility during the audit period, we found that she also controlled a signature stamp that was used for the Board Officer's required signature.

Lastly, Chapter 30B, Section 12, of the General Laws provides that contracts exceeding three years, including renewal, must be authorized by a vote of the Board of Commissioners. However, the Authority's Board of Commissioners did not vote to authorize the Authority's 10-year contract with its washer/dryer vendor. The contract commenced May 1, 1993 and continued through the audit period.

### ***Recommendation***

To address these internal control weaknesses, the Authority should require its employees to submit formal travel vouchers with supporting documentation attached for all travel-related expenses, thereby ensuring that travel reimbursements are reasonable, allowable, and allocable. Also, the Board of Commissioners should ensure that a board member either signs the Authority's checks or maintains custody of the signature stamp. Finally, to ensure compliance with Chapter 30B of the General Laws, the Authority should develop policies and procedures to ensure that the Board of Commissioners approves all contracts prior to their execution.

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

*Travel vouchers – The Executive Director has an expense report form with all the qualities you requested with the exception of the approval by a Board member. The form has been revised and samples of both are enclosed. The Admin. Assistant and maintenance man have very restricted travel and can be verified by bank deposit receipts for the Admin. Assistant and by work orders for the maintenance man. A copy of the current practice is enclosed and shows that the Admin. Assistant goes to the bank and the maintenance man to our family site on Cole Avenue. The current system worked extremely well and showed the date, place, and mileage. Again these could easily be*

*verified by bank deposits and work orders. They were approved by me as evidenced by my initials. However, they were not signed by the employee as now requested. A new form has been implemented and I have enclosed copies of the old and new.*

*Signature stamp – This has been a practice approved by the Board. The stamp is now held by a Board Member.*

*Contracts – The Board does approve all contracts. The washer dryer contract will be addressed as it is our intention to terminate the current contract and change vendors as soon as possible.*

### **Auditor's Reply**

The revised travel vouchers developed by the Authority will certainly strengthen its control over travel expenditures. In addition, the Authority giving custody of the signature stamp to a Board Member will strengthen internal controls over cash disbursements. However, while the Authority's response indicates that the Board approves all contracts, the Authority did not provide us documentation to support that the washer dryer contract received appropriate Board approval.

## **5. INADEQUATE INTERNAL CONTROLS OVER EMPLOYEE PAYROLL RECORDS AND LEAVE TIME BENEFITS**

Our review disclosed that the Authority needed to strengthen its internal controls over employee payroll records and leave time benefits. Specifically, we found that (a) employee timesheets were not properly signed and authorized, and that (b) employee s' sick time balances were prematurely increased to 120 days in December 2006, resulting in an excess payment to one employee upon his retirement totaling \$691.84.

DHCD's Accounting Manual provides LHAs with guidance relative to payroll and personnel records. According to Section 8 of DHCD's Accounting Manual, LHAs are responsible for developing and implementing a system of internal controls to safeguard the assets of the organization and ensure the accuracy and reliability of accounting data. Moreover, Section 8 requires LHAs to observe certain fundamental internal control requirements, including the use of forms, documents, and procedures that facilitate control and provide for proper approvals. Further, Section 15(I) of the Accounting Manual requires LHAs to maintain attendance reports and leave balances for all employees, as follows:

*Attendance Reports:* Formal attendance reports will be necessary to provide information for the preparation of payroll and to maintain adequate control of annual leave, sick leave, overtime, holiday work, and paid leave with respect to each employee.

*Leave Record:* If the personnel policy of the Local Authority provides the accrual of annual and sick leave for employees, a record of all leave earned and taken must be maintained for each employee.

*Attendance and leave reports must be kept on all employees. These reports are to be kept on an updated basis as pay periods close.*

However, as detailed below, the Authority did not develop adequate internal controls over employee payroll and personnel records to safeguard its assets and ensure compliance with DHCD's Accounting Manual.

***a. Employee Time Sheets***

Our sample test of the Authority's payroll records identified that the Authority's administrative assistant and maintenance worker did not sign their weekly timesheets. In addition, although the Executive Director signed her own timesheets, no member of the Board of Commissioners approved them. Consequently, the Authority cannot adequately ensure that employee timesheets accurately reflect the hours worked by its employees.

***b. Questionable Sick Time Benefits***

On December 11, 2006, the Authority adopted a new personnel policy that governed, among other things, employee sick time benefits. The new personnel policy authorized employees to accumulate up to 120 days of sick time, while the prior personnel policy allowed employees to accumulate a maximum of 60 days. Thus, over time, the new personnel policy would allow employees to double their sick time balances, from 60 to 120 days.

In addition, the new personnel policy specified that its employees would earn one and one-quarter days of sick leave for each full calendar month of employment. Therefore, in order to earn the additional 60 days of sick time, at a minimum, the employees would need to work four additional years. However, as detailed in the following table, the Authority immediately increased each employee's sick leave balance to 120 days on December 11, 2006.

Sick Leave Balances

| <u>Employee</u>          | <u>(11/1/06)</u> | <u>(12/11/06)</u> |
|--------------------------|------------------|-------------------|
| Executive Director       | 60 days          | 120 days          |
| Maintenance Worker       | 60               | 120               |
| Administrative Assistant | 57.25            | 120               |

Finally, the Authority's new personnel policy specifies that an employee who retires will be compensated 20% of his/her accumulated sick time. Consequently, as detailed in the table below, the Authority incurred an unnecessary expenditure of \$692 when its maintenance worker retired on November 9, 2007.

|  |                   |                 |
|--|-------------------|-----------------|
| Sick Leave Balance- 11/30/06                                       | 60 days           |                 |
| Sick Leave Earned- 12/01/06 through 10/31/07                       | 13.75             |                 |
| Sick Leave Used- 12/01/06 through 10/31/07                         | <u>(34.5)</u>     |                 |
| Sick Leave Balance – 11/09/07                                      | <u>39.25 days</u> |                 |
| Sick Leave Payment Owed- (39.25 days x 4hr/day x \$15.04/hr x 20%) |                   | \$472.26        |
| Actual Sick Leave Payment Made                                     |                   | <u>1,164.10</u> |
| Overpayment  |                   | <u>\$691.84</u> |

***Recommendation***

To address the issues relative to employee payroll expenses, payroll records, and leave time balances, the Authority should ensure that (1) employees sign their own timesheets, (2) supervisors and/or Board members approve employee time sheets, and (3) employees accrue sick time benefits in accordance with the Authority's new personnel policy. In addition, the Authority should adjust its employee sick time balances to reflect amounts authorized under its new personnel policy.

***Auditee's Response***

*Time sheets are used by all employees and the Executive Director always approved and signed time sheets for all employees. The Admin. Assistant and Maintenance Man are*

*now also signing their time sheets upon submission and the Board will sign approval for the E.D.*

*Sick time benefits – The three employees for this audit period are all long time employees with over 23 years of employment each. Sick days are earned at a rate of 1.25 per month and records are kept reflecting the total amounts accumulated over the years. Our old sick leave policy stated that we could accumulate up to 60 days. In talking with many other Housing Authority Directors I found it was more the norm to allow accumulating up to 120 days. Our own Town employee's policy has no cap on the amount of days that can be accumulated. Upon request in December 2006, the WHA Board voted to change our sick leave policy to allow employees to accumulate 120 days. The change was allowed to be made immediately in the books as we had already accumulated the 120 days as reflected in the enclosed copies.*

***Auditor's Reply***

We commend the Authority for taking prompt action to improve controls over employee timesheets.

As detailed in our report, the Board authorized a new sick leave policy effective December 11, 2006, which increased the maximum number of sick days that employees could accrue from 60 to 120 days. However, the policy did not state that this increase would be retroactive or that there would be an immediate addition of 60 sick days to each employee's accumulated sick leave balance. Accordingly, the new policy will allow employees to increase their sick leave balances beyond 60 days over time from December 2006 forward, up to a maximum of 120 days.