



# The Commonwealth of Massachusetts

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**INDEPENDENT STATE AUDITOR'S REPORT  
ON CERTAIN ACTIVITIES OF THE  
WEBSTER HOUSING AUTHORITY  
JANUARY 1, 2006 TO JANUARY 31, 2008**

**OFFICIAL AUDIT  
REPORT  
SEPTEMBER 16, 2008**

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**INTRODUCTION****1**

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain activities of the Webster Housing Authority for the period January 1, 2006 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.

Based on our review, we have concluded that, except for the issue addressed in the Audit Results section of this report, during the 25-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****3**

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**IRS 1099-MISC INCOME INFORMATION FORM NOT PREPARED FOR CERTAIN CONTRACTORS****3**

Our review determined that, due to an oversight, the Authority did not issue Internal Revenue Service (IRS) Form 1099-MISC to five contractors who were paid \$20,356 during calendar year 2006 and five contractors who were paid \$25,644 during calendar year 2007. In addition, two of the 1099 Forms that were issued for calendar year 2007 were understated; one by \$60 and the other by \$1,800. IRS regulations require entities to prepare and file with the IRS a Form 1099-MISC that details the name of each contractor, federal reporting number, and amount paid to each contractor that receives more than \$600 during a calendar year.

## 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 Webster Housing Authority for the period January 1, 2006 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 ensure that rent collections were timely and that uncollectible tenant accounts receivable balances were written off properly.
- Procedures for making payments to employees for salaries, travel, and fringe benefits to verify compliance with established rules and regulations.
- Site-inspection procedures and records to verify compliance with DHCD inspection requirements and that selected housing units were in safe and sanitary condition.
- Property and equipment inventory-control procedures to determine whether the Authority properly protected and maintained its resources in compliance with DHCD regulations.
- 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.

Based on our review, we have concluded that, except for the issue addressed in the Audit Results section of this report, during the 25-month period ended January 31, 2008, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

## AUDIT RESULTS

### **IRS 1099-MISC INCOME INFORMATION FORM NOT PREPARED FOR CERTAIN CONTRACTORS**

Our review determined that, due to an oversight, the Authority did not issue Internal Revenue Service (IRS) Form 1099-MISC to five contractors who were paid \$20,356 during calendar year 2006 and five contractors who were paid \$25,644 during calendar year 2007. In addition, two 1099-MISC forms that were issued for calendar year 2007 were understated; one by \$60 and the other by \$1,800. IRS regulations require entities to prepare and file with the IRS a Form 1099-MISC that details the name of each contractor, federal reporting number, and amount paid to each contractor that receives more than \$600 during a calendar year. By not adhering to this IRS requirement, the Authority could be subject to unnecessary penalties and interest. We brought this matter to the attention of the new Executive Director, who indicated that she will institute new procedures to ensure that all required 1099-MISC Forms are properly issued in the future.

#### ***Recommendation***

The Authority should correct its IRS filings for 2006 and 2007 and issue a Form 1099-MISC to each contractor that received more than \$600 in either year from the Authority. In the future, the Authority should ensure that all 1099-MISC Forms are properly prepared and filed with the IRS in a timely manner.