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**INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
DARTMOUTH HOUSING AUTHORITY
JANUARY 1, 2005 TO MAY 31, 2007**

**OFFICIAL AUDIT
REPORT
FEBRUARY 20, 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 Dartmouth Housing Authority for the period January 1, 2005 to May 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 29-month period ended May 31, 2007, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

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1. PRIOR AUDIT RESULTS RESOLVED

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a. Basis of Accounting

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Our prior audit (2005-0640-3A) disclosed that the Authority had neither converted its federal programs from the U.S. Department of Housing and Urban Development (HUD) basis of accounting to accounting principles generally accepted in the United States of America (GAAP) nor submitted federal and state program financial information to HUD's Real Estate Assessment Center (REAC) as of December 31, 2004. Our current audit found that the Authority has converted its basis of accounting to GAAP and electronically submitted the required financial information to REAC.

b. Compliance with Single Audit Requirements

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Our prior audit disclosed that the Authority had not completed the required Single Audits for fiscal years 2003 and 2004, in accordance with the Single Audit Act of 1984, which established requirements for states and local governments that administer federal financial assistance programs. The Office of Management and Budget (OMB) issued Circular A-128, "Audits of State and Local Governments", and extended the Single Audit process in 1990 by issuing OMB Circular A-133, "Audits of Institutions of Higher Education and Other Non-Profit Organizations." The OMB Circulars establish the threshold and criteria for completing a Single Audit. It is the responsibility of the Authority to arrange for a Single Audit to be conducted on an annual basis. Our current audit found that the Authority has completed Single Audits for all required periods.

2. REQUIRED TENANT SELECTION LEDGERS NOT MAINTAINED

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Our review of tenant selection procedures revealed that the Authority was not maintaining Master and Waiting List Ledgers as required by 760 Code of Massachusetts Regulations (CMR) 5.00. This issue was also documented in a Department of Housing and Community Development (DHCD) report completed in February 2007. Based upon DHCD's testing, a freeze was implemented on tenant selection due to deficiencies regarding the Authority's Waiting List. Our audit testing supported DHCD's conclusions.

In its response, the Authority indicated that it has updated all files and books, that it now maintains a DHCD-approved computerized list, and that based on this action, DHCD's freeze on tenant selection has been lifted.

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 Dartmouth Housing Authority for the period January 1, 2005 to May 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 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 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.
- 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.
- 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.

Based on our review, we have concluded that except for the issues addressed in the Audit Results section of this report, during the 29-month period ended May 31, 2007, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

1. PRIOR AUDIT RESULTS RESOLVED

a. Basis of Accounting

Our prior audit (2005-0640-3A) disclosed that the Authority had neither converted its federal programs from the U.S. Department of Housing and Urban Development (HUD) basis of accounting to accounting principles generally accepted in the United States of America (GAAP) nor submitted federal and state program financial information to HUD's Real Estate Assessment Center (REAC) as of December 31, 2004. Our current audit found that the Authority has converted its basis of accounting to GAAP and electronically submitted the required financial information to REAC.

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2. REQUIRED TENANT SELECTION LEDGERS NOT MAINTAINED

Our review of tenant selection procedures revealed that the Authority was not maintaining Master and Waiting List Ledgers as required by 760 Code of Massachusetts Regulations (CMR) 5.00. This issue was also documented in a Department of Housing and Community Development (DHCD) report completed in February 2007.

The Master Ledger and the Waiting List Ledger, which determine the proper order of placement of housing applicants in state-aided housing units, had not been maintained or posted since March 2006. The Master Ledger lists all applicants and includes a control number, applicant name, date of application, and a matrix determining the applicant's priority and preferences.

The control number, along with the priority and preference status, is then recorded in the Waiting List Ledger from which the next eligible applicant is chosen for the vacant state-aided housing unit. Since these required ledgers were not maintained, there was inadequate assurance that the Authority's tenants were selected in the proper order.

The DHCD review which was performed on September 12-14, 2006 and February 7, 2007 included testing of the Authority's eligibility and tenant selection procedures. Based upon DHCD's testing, a "freeze" was implemented on tenant selection due to deficiencies regarding the Waiting List. This freeze was implemented effective immediately and was to continue until the Authority complied with DHCD guidelines regarding tenant selection. Our audit testing supported DHCD's conclusions, indicating that six of the 10 tenant files selected contained at least one deficiency, of which three files contained numerous deficiencies. These deficiencies included missing information on applications in the tenant priority field, the housing type field, and the number of bedrooms required.

Recommendation

We recommend that the Dartmouth Housing Authority ensure the integrity of the tenant selection process by properly maintaining the Master and Waiting List Ledgers, as required by 760 CMR 5.00.

Auditees Response

The Authority's Executive Director stated, in part:

As a result of the finding noted regarding the Waiting List Ledger and Master, List, this new administration has updated all files and books, as well as maintained a DHCD approved computerized list. Based on this action, the freeze was lifted from DHCD and has been recently (December 30, 2007) reviewed by them.