



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – Issued April 21, 2011

Hull Housing Authority

For the period January 1, 2008 through September 30, 2010



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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 Hull Housing Authority for the period January 1, 2008 to September 30, 2010. The objectives of our audit were to review and analyze the Authority's management controls and practices over certain areas and functions for the purpose of determining their adequacy and review its compliance with laws, rules, and regulations. In addition, we reviewed the Authority's progress in addressing the conditions noted in our prior audit report (No. 2008-0683-3A).

Based on our review, we have concluded that during the 33-month period ended September 30, 2010, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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Our prior report of the Authority (No. 2008-0683-3A), which covered the period May 1, 2005 to December 31, 2007, disclosed that the Authority (a) had not updated its master ledger or waiting list; (b) had not made Payments In Lieu of Taxes (PILOT) to the Town of Hull; (c) did not reoccupy vacant units within the Department of Housing and Community Development's (DHCD) timeframe; and (d) had an uncollectible tenant accounts receivable balance of \$50,310. Our follow-up review revealed that the Authority has addressed a majority of these issues.

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 Hull Housing Authority for the period January 1, 2008 to September 30, 2010. The objectives of our audit were to determine the Authority's compliance with applicable laws, rules, and regulations and to review and analyze its management controls and practices over the following areas and functions for the purpose of determining their adequacy: (1) tenant selection; (2) preparation and reoccupation of vacant units; (3) rent determinations; (4) collectability of accounts receivables; (5) site inspections; (6) payroll, travel, and fringe benefits; (7) disbursements; (8) inventory controls over property and equipment; (9) contract procurement; (10) cash management and investment practices; (11) DHCD-approved budgets versus actual expenditures; (12) level of need for operating subsidies and operating reserves and (13) modernization awards. In addition, we reviewed the Authority's progress in addressing the issues noted in our prior report.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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.

- Site-inspection procedures and records to verify compliance with DHCD inspection requirements and that selected housing units were in safe and sanitary condition and to determine whether the Authority has in place an updated official written property maintenance plan for its managed properties.
- Procedures for making payments for payroll, travel, and fringe benefits to verify compliance with established rules and regulations.
- Authority expenditures to determine whether they were reasonable, allowable, and applicable to the Authority's operations and were adequately documented and properly authorized in accordance with established criteria.
- 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 issues noted in our prior report (No. 2008-0683-3A).

Our tests in the above-mentioned areas disclosed no material weaknesses.

Based on our review, we have concluded that, during the 33-month period ended September 30, 2010, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

STATUS OF PRIOR AUDIT RESULTS

Our prior audit (No. 2008-0683-3A) of the Hull Housing Authority, which covered the period May 1, 2005 to December 31, 2007, disclosed that the Authority (a) had not updated its master ledger or waiting list; (b) had not made Payments In Lieu of Taxes (PILOT) to the Town of Hull; (c) did not reoccupy vacant units within the Department of Housing and Community Development's (DHCD) timeframe; and (d) had an uncollectible tenant accounts receivable balance of \$50,310. Our follow-up review revealed that the Authority has addressed a majority of these issues, as follows:

a. Master Ledger and Waiting List Updated

Our prior audit report disclosed that the Authority was in the process of utilizing Public Housing Authority Network software to update its master ledger and waiting list. Our follow-up review determined that the Authority has completed this process and now maintains an updated master ledger and waiting list. The Authority is now housing applicants properly in accordance with DHCD regulations.

b. Payments in Lieu of Taxes

Our prior audit report disclosed that the Authority failed to make PILOT payments of \$10,080, due over a 10-year period, to the Town of Hull. Our follow-up review determined that the Town of Hull approved a waiver of payment of PILOT for the period 1997 to 2007. The Authority is now making PILOT payments on a current basis.

c. Vacant Units Reoccupied within DHCD Timeframe

Our prior audit report, covering a 32-month period, disclosed that the Authority may have lost the opportunity to earn approximately \$16,529 in potential rental income from state-aided housing programs because its vacant units were not reoccupied within the 21-day timeframe established by DHCD. Our follow-up review, covering a 33-month period, determined that potential lost income decreased by \$4,986 to \$11,543 and the Authority is currently making every effort to fill vacant units within the timeframe mandated by DHCD.

d. Tenant Accounts Receivable

Our prior audit report disclosed that as of December 30, 2007, the Authority's uncollectible tenant accounts receivable balance totaled \$50,310. Our follow-up review determined that, as of September 30, 2010, tenant accounts receivable decreased to \$9,660. The Authority has identified uncollectible tenant accounts receivable and has established an allowance for doubtful accounts as required by generally accepted accounting principles. Payment plans have been established through the court for certain delinquent tenants and others have vacated. Furthermore, effective collection procedures have been established. When a tenant fails to pay rent on a timely basis, the Executive Director executes a "notice to quit" and negotiates a payment agreement with the tenant.