



# The Commonwealth of Massachusetts

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**INDEPENDENT STATE AUDITOR'S REPORT  
ON CERTAIN ACTIVITIES OF THE  
HINGHAM HOUSING AUTHORITY  
APRIL 1, 2004 TO OCTOBER 31, 2006**

**OFFICIAL AUDIT  
REPORT  
JANUARY 23, 2008**

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## 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 Hingham Housing Authority for the period April 1, 2004 to October 31, 2006. 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.
- Annual rent-determination procedures to verify that rents were calculated properly and in accordance with DHCD regulations.
- Vacancy records to determine whether the Authority adhered to DHCD procedures for preparing and filling vacant housing units.
- Accounts receivable procedures to ensure that rent collections were timely and that uncollectible tenants' 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.
- 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.
- Procedures for making payments to landlords under the Massachusetts Rental Voucher Program to verify compliance with contract provisions and that rental charges by landlords were consistent with established rules and regulations.

- Cash-management and investment policies and practices to verify that the Authority maximized its interest income and that its deposits were fully insured.
- Site-inspection procedures and records to verify compliance with DHCD inspection requirements and that selected housing units were in safe and sanitary condition.
- 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'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 issue addressed in the Audit Results section of this report, during the 31-month period ended October 31, 2006, 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

#### a. Inadequate Inventory Controls

Our prior audit (No. 2004-0674-3A) found that the Hingham Housing Authority lacked proper controls over inventory records and procedures. Our current review determined that the Authority has taken corrective action and has established an adequate control system for the inventory of furniture and equipment. The Department of Housing and Community Development (DHCD) Accounting Manual for State-Aided Housing Programs, Section 15, mandates that the following inventory procedures be followed:

- Establish Furniture and Equipment Record Cards or use an automated system.
- Tag all stoves and refrigerators, as well as equipment over \$1,000, with a pre-numbered inventory asset tag.
- Take a physical inventory once a year.

Our current review of the inventory control system revealed that the Authority did have an up-to-date inventory listing, including a separate listing of all refrigerators and stoves, as required by DHCD. Based on this remedial action, we believe that the Authority has taken adequate steps to comply with DHCD's requirements pertaining to inventory controls.

#### b. Outdated Personnel Policies

Our prior audit found that the Authority did not have an up-to-date personnel policies and lacked proper procedures for maintaining sick and vacation leave. The Authority is required by the terms of DHCD's Contract for Financial Assistance to have an approved Management Plan, which includes personnel regulations. The Authority's personnel policies, dated September 1992, reflected time and attendance procedures that no longer applied to current requirements of the Authority. As a result, attendance calendars did not contain year-to-date balances and could not be verified based on current personnel policies for tracking time and attendance.

Our current review determined that the Authority has updated its personnel policies and now maintains accurate time and attendance records.

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## 2. PRIOR AUDIT RESULTS UNRESOLVED

### EXCESSIVE DELAYS IN RENTING VACANT UNITS

Our prior audit found that the Authority lost the opportunity to earn approximately \$4,671 in potential rental income by not filling vacant units in a timely manner. The DHCD Property Maintenance Guide indicates that vacant units should be reoccupied within 21 working days after the previous tenant has vacated. Our prior review revealed that eight Elderly Program units exceeded DHCD's guidelines by a total of 498 days. Our current audit determined that the Authority had 10 units that exceeded DHCD's guidelines by 1,157 days. As a result, the Authority lost the opportunity to earn \$11,952 (1,157 days x \$10.33 average daily rent) in potential rental income and may have temporarily deprived needy citizens of subsidized housing.

Subsequent to our audit period, the Authority hired an additional part-time maintenance employee to aid in turning over its vacant units to meet DHCD's guidelines.

#### ***Recommendation***

We commend the Authority for the actions taken to decrease turnover time of vacant units. The Authority should continue its attempt to comply with DHCD's Property Maintenance Guide by reoccupying vacated units within 21 working days.

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

In response to this issue, the Authority's Executive Director stated, in part:

*. . . it is important to note that the HHA experienced an unprecedented number of vacancies during the period your audit review covers. Historically, the average vacancy rate is much lower than what we have been seeing in the last year. For the most part, vacancies are the result of medical transfers within Thaxter Park to first floor units, elderly tenants passing away or who for medical reasons are required to relocate to other housing with attached supportive services (nursing homes). Vacancies are costly to the Authority and thus we strive to minimize them. Some of the delays were caused by lack of funds in our operating reserve to hire out or subcontract the work. In many cases, interior spaces were refurbished and cleaned which takes additional time.*

*During the time period of your review, the HHA also was involved in 3 modernization projects (new roofs, fire alarm upgrade and substantial bathroom renovations) which required additional time of our Maintenance Superintendent during the day. During the bathroom renovations some vacant units were used to store supplies and provide temporary daytime accommodations for the elderly residents who could not use their bathroom facilities for 8 hours each day.*

*An additional reason for the delay in completing the lease-up process 21 days after vacancy is the result of our 689 property going through an accreditation review in the last year. Our maintenance staff person spent at least 6 weeks at the Beal Street property addressing all maintenance issues including replacing lights, interior and exterior painting and re-grouting of bathrooms.*

*Lastly, but most importantly the HHA has been with out a second maintenance staff person since November 2005. During that time the HHA hired 2 and trained 2 staff people who did not stay at the job. One person left after 2 weeks to accept full time work and the other was asked to leave by the HHA after 30 days for poor performance. We have hired some intermittent help but the difficulty is always with the training and supervision of temporary staff.*

***Auditor's Reply***

We commend the Authority for their efforts to reoccupy vacant units, and understand that the physical limitations of potential tenants, budget limitations, and maintenance staff shortages adversely affect unit turnaround time. However, we recommend that the Authority petition DHCD for the funds necessary to fulfill their respective statutory mandates, and consider requesting additional funding from DHCD to adapt existing units to accommodate the physical limitations of prospective tenants.