



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

Making government work better

Official Audit Report – Issued October 22, 2014

Millis Housing Authority

For the period July 1, 2012 through June 30, 2013





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October 22, 2014

Ray Normandin, Chair
Millis Housing Authority
310 Exchange Street
Millis, MA 02038

Dear Chairman Normandin:

I am pleased to provide this performance audit of the Millis Housing Authority. This report details the audit objectives, scope, and methodology for the audit period, July 1, 2012 through June 30, 2013. My audit staff discussed the contents of this report with management of the Authority.

I would also like to express my appreciation to the Millis Housing Authority for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMBump".

Suzanne M. Bump
Auditor of the Commonwealth

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EXECUTIVE SUMMARY

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 Millis Housing Authority for the period July 1, 2012 through June 30, 2013.

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 to determine whether (1) the Authority's expenditures were allowable, related to its operations, and compliant with the requirements of the Department of Housing and Community Development (DHCD); (2) the Authority determined tenant eligibility, placement, and monthly rent in accordance with DHCD regulations; (3) the Authority procured goods and services in accordance with Chapter 30B of the General Laws; (4) the Authority performed site inspections of its housing units each year; (5) the Authority performed and scheduled annual inventories of property and equipment; (6) the Authority complied with DHCD's financial reporting and data collection requirements; (7) modernization money, if any was awarded, was spent in accordance with DHCD regulations; and (8) money received under Chapter 44B of the General Laws (the Community Preservation Act), if any, had been spent according to that law and DHCD guidelines.

Summary of Results

Based on our audit, for the period July 1, 2012 through June 30, 2013, the Authority's expenditures were allowable, related to its operations, and compliant with DHCD requirements; its eligibility determinations, rent determinations, and placements complied with DHCD regulations; its procurement of goods and services complied with Chapter 30B of the General Laws; its site inspection procedures, inventory controls, financial reporting, and data collection complied with DHCD requirements; and any expenditure of modernization funds and Community Preservation Act funds complied with DHCD requirements and Chapter 44B of the General Laws.

OVERVIEW OF AUDITED AGENCY

Background

The Millis Housing Authority is authorized by, and operates under, the provisions of Chapter 121B of the Massachusetts General Laws, as amended. Its administrative offices are located at 310 Exchange Street in Millis, Massachusetts. The Authority currently manages and oversees 73 units of state housing for elderly tenants, 10 units for low-income families, and 1 unit under the Massachusetts Rental Voucher Program, as well as an additional 21 units of federal family housing that are administered by the Dedham Housing Authority.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of the Millis Housing Authority for the period July 1, 2012 through June 30, 2013.

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 to determine whether (1) the Authority's expenditures were allowable, related to its operations, and compliant with the requirements of the Department of Housing and Community Development (DHCD); (2) the Authority determined tenant eligibility, placement, and monthly rent in accordance with DHCD regulations; (3) the Authority procured goods and services in accordance with Chapter 30B of the General Laws; (4) the Authority performed site inspections of its housing units each year; (5) the Authority performed and scheduled annual inventories of property and equipment; (6) the Authority complied with DHCD's financial reporting and data collection requirements; (7) modernization money, if any was awarded, was spent in accordance with DHCD regulations; and (8) money received under Chapter 44B of the General Laws (the Community Preservation Act), if any, had been spent according to that law and DHCD guidelines.

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 gained an understanding of, and tested, the relevant internal controls for financial operations, tenant selection and occupancy, vacancies, annual rent determinations, site inspections, property maintenance, administrative expenses, property and equipment, and contract procurement, as well as modernization.

Further, we conducted audit testing in the following areas:

- We reviewed all travel expenditures and verified compliance with established policies.

- We selected the last 10 tenants housed to verify that tenants were selected in accordance with DHCD regulations.
- We examined the vacancy records to determine whether the Authority adhered to DHCD procedures for preparing and filling vacant housing units.
- We tested 6 of 83 annual rent determinations to verify that rents were calculated properly and in accordance with DHCD guidelines.
- We tested tenant accounts-receivable procedures to ensure that rent collections were timely and that uncollectible tenant accounts-receivable balances were written off properly.
- We reviewed site-inspection procedures and records to verify compliance with DHCD inspection requirements and determine whether selected housing units were in safe and sanitary condition.
- We reviewed 22 of 371 general expenditures for appropriateness and compliance with established policy.
- We reviewed cash management and investment policies and practices to verify that the Authority maximized its interest income and that its deposits were fully insured.
- We tested DHCD grants and Authority payments related to modernization contractors.
- We tested procedures for property and equipment and determined the adequacy of the Authority's controls to protect, and account for, its assets in accordance with DHCD regulations.
- We examined contract-procurement records to verify compliance with applicable laws and DHCD requirements for awarding contracts.
- We verified the DHCD-approved operating budget for fiscal year 2013 in comparison with actual expenditures. We also reviewed line-item and total amounts to ensure that they were within budgetary limits.
- We reviewed the adequacy of procedures in effect to collect data and ensure that required reports were complete, accurate, and submitted to DHCD in a timely manner.
- We determined whether the Authority had received Community Preservation Act money and, if so, whether it had expended the money in accordance with applicable statutory and DHCD requirements.

In addition, we gained an understanding of the internal controls we deemed significant to our audit objectives and evaluated the design and effectiveness of those controls. Specifically, we performed procedures such as interviewing Authority employees and reviewing relevant documents, statutes, and regulations as well as Authority policies, procedures, and accounting records.

We obtained revenue, subsidy, grant award, and expenditure information generated from information systems maintained by the Commonwealth and by the Authority. We compared this information with source documents and interviewed knowledgeable Authority staff members about the data. We determined that the data were sufficiently reliable for the purposes of this report. Information system controls were not an integral part of the Authority's internal controls, so we did not consider it necessary to evaluate information system controls. When performing our audit, we relied on hardcopy source documents, which we tested for accuracy and completeness. We determined that these data were also sufficiently reliable for the purposes of this report. Whenever sampling was used, we applied a non-statistical approach, and as a result, we were not able to project our results to the population.

Based on our audit, for the period July 1, 2012 through June 30, 2013, the Authority maintained adequate internal controls and management practices and complied with applicable laws, rules, regulations, and contractual terms for the areas tested.