



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

*Making government work better*

Official Audit Report-Issued January 21, 2014

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## Stoneham Housing Authority

For the period July 1, 2010 through June 30, 2012





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January 21, 2014

Edward J. Pinato, Chairman  
Stoneham Housing Authority  
11 Parker Chase Road  
Stoneham, MA 02180

Dear Chairman Pinato:

I am pleased to provide this performance audit of the Stoneham Housing Authority. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, July 1, 2010 through June 30, 2012. My audit staff discussed the contents of this report with the management of the Authority, and their comments are reflected in this report.

I would also like to express my appreciation to the Stoneham 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 Stoneham Housing Authority for the period July 1, 2010 through June 30, 2012.

The objectives of our audit were to review and analyze the Authority's internal controls over its procurement of goods and services, including those for the modernization/renovation of its housing units, and to determine whether its procurement activities were efficient and in compliance with the Department of Housing and Community Development's (DHCD's) procurement guidelines and laws, rules, and regulations applicable to state-aided housing programs.

### *Summary of Findings*

Stoneham Housing Authority overbilled DHCD by \$7,488 for in-house labor costs (wages and fringe benefits) related to the renovation of nine vacant housing units. Specifically, the Authority billed DHCD \$31,871 for the payroll and fringe benefit costs of four maintenance staff members, but our review indicated that \$7,488 of these costs is questionable. The errors we discovered included timesheet hours posted to multiple work sites, mathematical errors in computing billings, and cost records that did not show the dates when work was performed. As a result, the Authority owes these funds to DHCD.

### *Recommendations*

The Authority, in collaboration with DHCD, should determine how much of the \$7,488 in questionable billings that we identified should be reimbursed. In the future, the maintenance supervisor should review the cost report associated with the renovations of each unit and check for duplicate entries and mathematical accuracy. The bookkeeping staff should reconcile labor hours shown on cost reports with timesheet hours and perform an overall review before preparing the billing.

**OVERVIEW OF AUDITED AGENCY**

The Stoneham Housing Authority is authorized by, and operates under the provisions of, Chapter 121B of the Massachusetts General Laws as amended. The Authority's management office is located at 11 Parker Chase Road in Stoneham. The Authority oversees the following state housing units: 207 units of housing for the elderly and handicapped and 76 units of housing for families.

## 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 an audit of certain activities of the Stoneham Housing Authority for the period July 1, 2010 through June 30, 2012.

The objectives of our audit were to review and analyze the Authority's internal controls over its procurement of goods and services, including those for the modernization/renovation of its housing units, and to determine whether its procurement activities were efficient and in compliance with the Department of Housing and Community Development's (DHCD's) procurement guidelines and laws, rules, and regulations applicable to state-aided housing programs.

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:

- The Authority's records related to its procurement of goods and services during the audit period to determine whether its activities in this area complied with DHCD guidelines and other applicable laws, rules, and regulations.
- Whether the Authority has explored group purchasing activities such as purchasing consortiums and the use of procurement contracts negotiated by the federal, state, or local governments to ensure that it receives the best value.
- The Authority's records to determine whether any procurement was conducted by parties affiliated with, or related to, the Authority such as housing associations, corporations, or other private entities and, if so, whether the procurement was conducted in compliance with applicable laws, rules, and regulations.

Additionally, we gained an understanding of the internal controls we deemed to be significant to our audit objectives and evaluated the design and effectiveness of these controls. Specifically, we performed procedures such as interviewing personnel, reviewing policies, analyzing records, and examining documentation supporting recorded transactions.

We did not rely on computer-processed data for our audit. Instead, we relied on data such as hardcopy source documents and interviews as supporting documentation on which we based our conclusions. 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, we have concluded that, for the period July 1, 2010 through June 30, 2012, except for the issue addressed in the Detailed Audit Results and Findings section of this report, the Authority maintained adequate internal controls in the areas tested and conducted its procurements in an efficient manner in compliance with DHCD guidelines and laws, rules, and regulations applicable to state-aided housing programs.

## DETAILED AUDIT RESULTS AND FINDINGS WITH AUDITEE'S RESPONSE

### The Authority overbilled DHCD for the vacant-unit turnover costs of nine units.

Our audit found that the Stoneham Housing Authority overbilled the Department of Housing and Community Development (DHCD) by \$7,488 for in-house labor costs (wages and fringe benefits) related to the renovation of nine vacant housing units. Specifically, the Authority billed DHCD \$31,871 for the payroll and fringe benefit costs of four maintenance staff members, but our review indicated that \$7,488 of these costs is questionable. In a memo dated November 22, 2011, DHCD required housing authorities to requisition renovation funds only for actual turnover costs incurred. For the questionable \$7,488, we found issues that included timesheet hours posted to multiple work sites, mathematical errors in computing billings, and cost records that did not show the dates when work was performed. As a result of those issues, the Authority owes these funds to DHCD.

In September 2011, DHCD dedicated \$2 million from its Affordable Housing Trust Fund (AHTF) to assisting housing authorities in their efforts to reoccupy state-aided family public housing units that have been vacant for 60 or more days and require capital repairs in excess of \$2,500. The Stoneham Housing Authority was awarded \$109,000 from the AHTF for costs associated with the reoccupation, or turnover, of nine units. The award letter from DHCD indicated that the Authority could make the repairs by using housing authority staff, publicly bidding the project, or a combination of the two. During our audit period, Stoneham Housing Authority billed DHCD \$97,440 and was reimbursed \$93,703. DHCD disallowed \$3,737 of supplies that it deemed ineligible for reimbursement because the Authority purchased the supplies before the award was made.

The Authority maintained a record for each unit, called the Unit Labor and Material Calculation Worksheet (ULM), to which it posted the costs associated with the renovation of each unit. Our review of the ULMs revealed the following discrepancies and errors.

Type of Error	Hours Incorrectly Billed	Dollar Amount of Incorrect Billing (Including Fringe Benefits)
Differences in Hours Worked between ULM and Timesheets	68	\$ 2,586
Hours on ULM Added Incorrectly	30	1,095
Hours on ULM Showing No Dates of Service	105	<u>3,807</u>
Total Incorrectly Billed		<u>\$ 7,488</u>

The first type of error included five instances, involving three employees, where a maintenance person posted the same work hours to multiple units and the multiple hours were billed to DHCD. The first category also included five instances where the hours shown on the ULM, which were billed to DHCD, exceeded the timesheet hours. In both types of errors, the Authority paid the maintenance persons for only the lower number of hours noted on the timesheet, though it billed DHCD the higher amount.

In the second error, the Authority computed a total of 148 hours worked on four units (per the ULM), but our review found that the hours posted to the ULM totaled only 118 hours.

The third error (the overbilling of \$3,807) applied to two units for which the ULMs do not show the dates the services were performed, so it was not possible to verify that the labor charges applied to the rehabilitation of the units or to determine whether the staff worked on other units simultaneously. The services listed on the ULM as performed by the maintenance staff included cleaning out apartments before painting, removing wall-to-wall carpeting, cleaning out basements, repairing plaster damage, and installing lights.

It appears that the errors were caused by lack of care in making entries on the ULM, miscalculations, and lack of reconciliation between the ULM and payroll records.

### ***Recommendations***

The Authority, in collaboration with DHCD, should determine how much of the \$7,488 in questionable billings that we identified should be reimbursed. In the future, the maintenance supervisor should review the postings to the ULM and check for duplicate entries and mathematical accuracy. The bookkeeping staff should reconcile hours shown on the ULM with timesheet hours and perform an overall review before preparing the billing.

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

*In response to your letter dated December 2, 2013, regarding the Audit Findings at the Stoneham Housing Authority [SHA], I would like to say that I do not believe that the errors your office found were caused by a "lack of care in making entries" as was stated. The SHA operates with a very limited staff i.e. a Maintenance Supervisor, 3 Full Time Maintenance men and 2 part-time laborers. The Maintenance Supervisor is a "working" supervisor. The AHT units needed to be turned around within three months and at that time the SHA was also down 1 full time maintenance man leaving 3 full-time employees and 2 part-time. The Maintenance Supervisor was not only responsible for making the entries on the ULM's but was also completing some of the required work in the units, ordering supplies and overseeing outside contractors as well. In*

*addition during this time period, the Executive Director of the SHA passed away suddenly leaving the Authority with no one in control. An Interim Director was finally put into place through DHCD after several weeks.*

*Although I understand the above does not change the findings in your report, I believe it can be used to understand how these errors came about. This time period was very upsetting, traumatic and confusing for the staff. Not only were they under pressure to complete these AHT units on a very tight schedule, but their supervisor and co-worker of 13 years had died very unexpectedly.*

*When reviewing your findings the third error (overbilling of \$3,807) where you state it is not possible to verify that the labor charges applied to the rehabilitation of the units or to determine whether the staff worked on other units simultaneously, I would urge you to look at the tasks performed and realize that these jobs were indeed completed by Housing Authority staff during the time period in question. Based on that, we can make an assumption or use a scale to decide on how many man hours that particular task would actually take. In addition we have bills by contractors for those units with dates on them which allow us to determine the approximate date, and in some cases the exact date, of the tasks completed with no dates on the ULMs. The Maintenance Supervisor also keeps a daily log book and during that time lists units, dates and employees which helped us to determine the dates in question.*

*That being said, the Stoneham Housing Authority would be agreeable with the first and second error findings but would dispute the third of the overbilling of \$3,807. Although, there is always room for error in completing our calculations there is also that same margin involved in your office's findings. We would appeal to your office to review our remarks and to incorporate them into the fairness of your department's recommendations. The Stoneham Housing Authority will refund what your office ultimately decides to be the fair and equitable amount owed, and we will in the future perform an overall review of any billing requirements. Thank you for your service and assistance in this endeavor.*

### **Auditor's Reply**

We acknowledge that while the units were being renovated, the Authority was dealing with strict deadlines, staffing, and other issues that may have contributed to the errors and omissions we identified during our audit. However, it is the Authority's responsibility to maintain accurate and complete records of all the time charged to these projects and to submit accurate billings. In terms of the potential overbilling of \$3,807, our report does not conclude that these tasks were inconsistent with the renovation project but rather that the ULMs that the Authority used to document this work did not show the dates the services were performed, so it was not possible to verify that the labor charges applied to the rehabilitation of the units or to determine whether the staff worked on other units simultaneously. In its response, the Authority indicates that the maintenance supervisor's daily log was helpful in determining dates of service. However, when the Office of the State Auditor (OSA) reviewed this log during our fieldwork, we did not find that it contained the information about dates and times that would be helpful in resolving this issue. Consequently, the Authority should discuss this matter with DHCD, which is ultimately responsible

for making decisions on the allowability of costs charged to the AHTEF grant, to determine how much of this \$3,807 should be refunded.