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**INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
LYNN HOUSING AUTHORITY
JULY 1, 2005 TO DECEMBER 31, 2008**

**OFFICIAL AUDIT
REPORT
JUNE 10, 2009**

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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 Lynn Housing Authority for the period July 1, 2005 to December 31, 2008. 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. We also conducted a follow-up review of the Authority's progress in addressing the issues noted in our prior audit report (No. 2006-0699-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 42-month period ending December 31, 2008, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

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STATUS OF PRIOR AUDIT RESULTS

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Our prior audit of the Authority, which covered the period July 1, 2003 to June 30, 2005, disclosed that (a) various instances of noncompliance with the State Sanitary Code existed at the Authority's state-aided housing developments, (b) the Authority did not conduct annual dwelling unit inspections as required by the Department of Housing and Community Development's (DHCD) Property and Maintenance Guide, (c) vacated units were not occupied in a timely manner, d) operating subsidy due the Authority according to DHCD's records differed from the Authority's records, and e) modernization requests had not been funded by DHCD. Our follow-up review disclosed that although the Authority has taken action to remedy these issues, further improvements are needed, as discussed below:

a. Compliance with State Sanitary Code

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DHCD's Property Maintenance Guide, Chapter 3(F), requires that inspections of housing units be conducted annually and upon each vacancy to ensure that every dwelling unit conforms to minimum standards for safe, decent, and sanitary housing as set forth in Chapter II of the State Sanitary Code. Our prior audit noted 53 instances of noncompliance with the State Sanitary Code, including peeling paint, obstructed entrances, mold and mildew, deteriorated and crumbling concrete stairways, and roof leaks. Our follow-up review determined that the Authority has taken corrective action to address the prior instances of noncompliance.

b. Unit Inspections

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Our prior audit noted that the Authority did not conduct annual dwelling unit inspections as required by the DHCD's Property Maintenance Guide. Our follow-up review determined that the Authority is now conducting annual inspections of its dwelling units.

c. Vacant Units Not Occupied within DHCD Guidelines **3**

DHCD's Property Maintenance Guide indicates that housing authorities should reoccupy units within 21 working days of their being vacated by a tenant. Our prior audit found that the Authority's average turnaround time for reoccupying vacant units was 42 days. Our follow-up review disclosed that the Authority's average turnaround time for reoccupying vacant units remains unchanged.

d. Status of Operating Subsidies Earned, Received, and Outstanding **4**

Our prior audit reported that the Authority's records indicated that it was due \$205,427 in subsidies at fiscal year-end, while DHCD's records indicated that it owed the Authority \$248,894. Our follow-up review disclosed that this discrepancy has been resolved, the Authority is currently receiving the correct amount of subsidy from DHCD, and the Authority's and DHCD's records are in agreement.

e. Modernization Initiatives **4**

Our prior audit found that although the Authority had applied to DHCD for funding for 16 capital modernization projects for its state-aided properties, the requests were not funded by DHCD during the audit period. Our follow-up review determined that the Authority's requests remain unfunded.

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 Lynn Housing Authority for the period July 1, 2005 to December 31, 2008. 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 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.
- Procedures for making payments to employees for salaries, travel, and fringe benefits to verify compliance with established rules and regulations.
- Procedures for making payments to landlords under the Massachusetts Rental Voucher Program to verify compliance with the contract provisions and determine whether rental charges by landlords were consistent 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.
- 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. 2006-0699-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 42-month period ended December 31, 2008, 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. 2006-0699-3A) of the Lynn Housing Authority, which covered the period July 1, 2003 to June 30, 2005, disclosed that (a) various instances of noncompliance with the State Sanitary Code existed at the Authority's state-aided developments, (b) the Authority did not conduct annual dwelling unit inspections as required by DHCD's Property and Maintenance Guide, (c) vacated units were not occupied in a timely manner, (d) operating subsidy due the Authority according to DHCD's records differed from the Authority's records, and (e) modernization requests had not been funded by DHCD. Our follow-up review disclosed that although the Authority has taken action to remedy these issues, further improvements are needed, as discussed below.

a. Compliance with State Sanitary Code

DHCD's Property Maintenance Guide, Chapter 3(F), requires that inspections of housing units be conducted annually and upon each vacancy to ensure that every dwelling unit conforms to minimum standards for safe, decent, and sanitary housing as set forth in Chapter II of the State Sanitary Code. Our prior audit noted 53 instances of noncompliance with the State Sanitary Code, including peeling paint, obstructed entrances, mold and mildew, deteriorating and crumbling concrete stairways, and roof leaks. Our follow-up review determined that the Authority has taken corrective action to address the instances of noncompliance.

b. Unit Inspections

Our prior audit noted that the Authority did not conduct annual dwelling unit inspections as required by the DHCD's Property Maintenance Guide. Our follow-up review determined that the Authority is now conducting annual inspections of all dwelling units.

c. Vacant Units Not Occupied Within DHCD Guidelines

DHCD's Property Maintenance Guide indicates that housing authorities should reoccupy units within 21 working days of their being vacated by a tenant. Our prior audit found that the Authority's average turnaround time for reoccupying vacant units was 42 days. Our follow-up review disclosed that the Authority's average turnaround time for reoccupying

vacant units remained unchanged. Several units were vacant for extensive periods due to poor conditions requiring extra maintenance work and offer refusals.

By not ensuring that vacant units are reoccupied within DHCD's guidelines, the Authority may have lost the opportunity to earn potential rental income net of maintenance and repair costs, and may have lost the opportunity, at least temporarily, to provide needy citizens with subsidized housing.

d. Status of Operating Subsidies Earned, Received, and Outstanding

Our prior audit found that the Authority's records indicated that it was due \$205,427 in subsidies at fiscal year-end, while DHCD's records indicated that it owed the Authority \$248,894 at fiscal year-end. Our follow-up review disclosed that this discrepancy has been resolved, the Authority is currently receiving the correct amount of subsidy from DHCD, and the Authority's and DHCD's records are in agreement.

e. Modernization Initiatives

Our prior audit found that although the Authority had applied to DHCD for funding for 16 capital modernization projects for its state-aided properties to upgrade walkways, roofs, heating systems, boiler systems, asbestos removal, window repairs, and other major site maintenance, the requests were not funded by DHCD during the audit period. Our follow-up review indicated that DHCD only funded two projects for common area rehabilitation and gutter replacement/brick re-pointing at the Authority's 667-5 Elderly Program McGee House development.

Deferring or denying the Authority's remaining modernization needs may result in further deteriorating conditions that could render the units and buildings uninhabitable. If the Authority does not receive funding to correct these conditions (which have been reported to DHCD), additional emergency situations may occur, and the Authority's ability to provide safe, decent, and sanitary housing for its elderly and family tenants could be seriously compromised. Lastly, deferring the modernization needs of the Authority into future years will cost the Commonwealth's taxpayers additional money due to inflation, higher wages, and other related costs.

Recommendation

The Authority should ensure that vacant units are refurbished and reoccupied within DHCD's timeframe and continue to appeal to DHCD to provide the funds necessary to address the Authority's modernization needs. DHCD should obtain and provide sufficient funds to the Authority in a timely manner so that it may provide safe, decent, and sanitary housing for its tenants.