



The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

ONE ASHBURTON PLACE, ROOM 1819
BOSTON, MASSACHUSETTS 02108

A. JOSEPH DeNUCCI
AUDITOR

TEL. (617) 727-6200

NO. 2008-0902-3A

**INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
HANSON HOUSING AUTHORITY
AUGUST 1, 2005 TO DECEMBER 31, 2007**

**OFFICIAL AUDIT
REPORT
JUNE 16, 2008**

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INTRODUCTION

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In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain activities of the Hanson Housing Authority for the period August 1, 2005 to December 31, 2007. 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.

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 29-month period ended December 31, 2007, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

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1. PRIOR AUDIT RESULTS RESOLVED

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a. Lost Potential Rental Income

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Our prior audit (No. 2006-0902-3A) identified that the Authority did not fill vacant units within the timeframe established by the Department of Housing and Community Development (DHCD). DHCD requires that housing authorities shall have vacated units readied for occupancy within 21 business days; however, we found that the Authority had 14 units that remained unoccupied for a total of 940 business days beyond DHCD's 21-day limit. Consequently, the Authority may have lost the opportunity to earn approximately \$8,723 in potential rental income between March 1, 2003 and July 31, 2005. Compliance with DHCD's 21-day unit turnaround requirement will improve the Authority's financial condition and better serve waiting list applicants for state-subsidized housing.

Our current review revealed that the Authority is now filling vacant units within the timeframe established by the DHCD.

b. Tenant Accounts Receivable

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Our prior audit report disclosed that the Authority's tenant accounts receivable balance was \$7,870 as of July 31, 2005. A detailed review noted that the Authority was carrying balances of \$2,512 for seven prior tenants who had vacated their units at the Authority at least one year earlier, and as far back as March 2001. By not identifying this potential collection loss, the Authority's financial statements do not accurately reflect the financial position of the Authority. Accordingly, the Authority should analyze the balances and obtain permission from DHCD to write off any balances deemed uncollectible.

Our review of the Authority's Accounts Receivable Ledger as of December 31, 2007 revealed that the tenant accounts receivable balance was only \$2,090 and represented current receivables.

2. INADEQUATE ATTENDANCE AND DOCUMENTATION OF BOARD MEETINGS**3**

Our audit revealed that the Authority did not have a quorum at four of its scheduled board meetings and did not adequately document the minutes of its Board of Directors meetings for 10 of the 29 months reviewed during the audit period. As a result, the Board did not exercise adequate oversight and approval of cash disbursements, contracts, and other actions of the Authority. In its response, the Authority indicated that it is taking corrective actions to resolve this matter.

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 Hanson Housing Authority for the period August 1, 2005 to December 31, 2007. 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 tenants 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.
- Property and equipment inventory-control procedures to determine whether the Authority properly protected and maintained its resources in compliance with DHCD regulations.
- 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.
- The Authority's progress in addressing the issues noted in our prior report (No. 2006-0902-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 29-month period ended December 31, 2007, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

1. PRIOR AUDIT RESULTS RESOLVED

a. Lost Potential Rental Income

Our prior audit (No. 2006-0902-3A) identified that the Authority did not fill vacant units within the timeframe established by the Department of Housing and Community Development (DHCD). DHCD requires that housing authorities shall have vacated units readied for occupancy within 21 business days; however, we found that the Authority had 14 units that remained unoccupied for a total of 940 business days beyond DHCD's 21-day limit. Consequently, the Authority may have lost the opportunity to earn approximately \$8,723 in potential rental income between March 1, 2003 and July 31, 2005. Compliance with DHCD's 21-day unit turnaround requirement will improve the Authority's financial condition and better serve waiting list applicants for state-subsidized housing. Our audit tests revealed that the Authority is now filling vacant units within the timeframe established by DHCD.

b. Tenant Accounts Receivable

Our prior audit report disclosed that the Authority's tenant accounts receivable balance was \$7,870 as of July 31, 2005. A detailed review noted that the Authority was carrying balances of \$2,512 for seven prior tenants who had vacated their units at the Authority at least one year earlier, and as far back as March 2001. By not identifying this potential collection loss, the Authority's financial statements do not accurately reflect the financial position of the Authority. Accordingly, we recommended that the Authority analyze the balances and obtain permission from DHCD to write off any balances deemed uncollectible.

Our review of the Authority's Accounts Receivable Ledger as of December 31, 2007 revealed that the previous tenant accounts receivable balances were written-off as uncollectible and the current receivable balance was \$2,090.

2. INADEQUATE ATTENDANCE AND DOCUMENTATION OF BOARD MEETINGS

Our audit revealed that the Authority did not have a quorum at four of its scheduled meetings and did not adequately document the minutes of its Board of Directors meetings for 10 of the 29 months reviewed during the audit period. As a result, the Board did not exercise adequate

oversight and approval of cash disbursements, contracts, and other business actions of the Authority.

Chapter 39, Section 23B, of the Massachusetts General Laws requires public entities such as housing authorities to hold and document meetings that are open to the public to ensure that citizens of the Commonwealth have the opportunity to be aware of the activities that are being conducted by agencies that are subsidized with public funds.

Audit testing disclosed that during the 29-month period, four Board meetings could not be held due to a lack of a quorum and the remaining 25 Board meetings were never fully attended by all five members of the Authority's Board of Directors. In addition, minutes of the meetings were not available for six of the 29 months reviewed. As a result, the Board has not provided the necessary oversight and guidance to ensure proper oversight of the Authority's day-to-day operations.

Recommendation

The Authority should comply with Chapter 39, Section 23B, of the Massachusetts General Laws by holding scheduled monthly meetings and fully documenting detailed minutes for all regular and executive Board meetings.

Auditee's Response

The Hanson Housing Authority acknowledges the findings of the audit report. The Hanson Housing Authority is taking corrective actions and following the recommendations of the [report].