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

OFFICIAL AUDIT
REPORT
JULY 14, 2008

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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 Chelmsford Housing Authority for the period July 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. We also conducted a follow-up review of the Authority's progress in addressing the issues noted in our prior audit report (No. 2006-0630-3A2). Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, for the areas tested, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations during the 30-month period ended December 31, 2007.

AUDIT RESULTS

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1. PRIOR AUDIT RESULTS RESOLVED – AVAILABILITY OF LAND TO BUILD AFFORDABLE HOUSING UNITS

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Our prior audit reported that the Authority had approximately 4.5 acres of land on which it could potentially build additional affordable housing units, located adjacent to the North Federal 202 Project, off Sheila Avenue. The prior report noted that the need for additional housing was justified, considering that as of June 30, 2005, there were over 200 applicants on the Authority's waiting list. Our follow-up review determined that the Authority is in the permitting process to construct a new 37-unit development, which is expected to cost \$9 million. The project, which will be owned and managed by the Authority, will be funded through the Department of Housing and Community Development (DHCD) and the sale of tax credits.

2. PRIOR AUDIT RESULTS PARTIALLY RESOLVED

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Our prior audit noted that improvements were needed in the areas of (a) compliance with Chapter II of the State Sanitary Code and (b) DHCD funding of modernization initiatives. Our follow-up review indicated that the Authority has partially resolved these issues, as follows:

a. Compliance with State Sanitary Code

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During our prior audit, we inspected 20 of the 187 state-aided dwelling units managed by the Authority and noted 13 instances of noncompliance with Chapter II of the State Sanitary Code, including water penetration from sliding doors, front entrance overhang needing replacement, carpenter ant and termite infestation, siding needing replacement, deteriorating kitchen countertops and sink plumbing, cracked bathroom walls, sidewalks in need of repaving, and other health and safety hazards. During our follow-up review we found that the Authority has partially resolved these issues. Specifically, the Authority has addressed the instances of water penetration from sliding doors, front entrance overhangs in need of replacement, carpenter ant and termite infestation,

cracked bathroom walls, and sidewalks in need of repaving. However, the Executive Director stated that the siding and kitchen renovation issues have not yet been corrected because DHCD denied the Authority's funding requests for these repair projects.

b. Modernization Initiatives

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Our prior audit found that although the Authority had applied to DHCD for funding for capital modernization projects for its state-aided 667-1, 667-3, 667-4, and 667-5 developments, including elevator, drainage, roof, boiler, siding, door, window, and bathroom renovations, these requests were not funded. Our follow-up review determined that the Authority has since received modernization funding to repair the elevators at the 667-3 and 667-5 developments, the roofs at the 667-1 Development, and the boiler and windows at the 667-5 Development. However, DHCD did not provide funding for the drainage or siding repairs. Moreover, we noted that the Authority was using its Operating Reserves to complete the needed bathroom renovations. The Authority also indicated that it has requested DHCD's permission to sell the six condominiums at its 667-4 Development due to the annual costs to maintain the condominiums, but DHCD refused the request.

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 Chelmsford Housing Authority for the period July 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 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 that 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 programs 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 funds were received and disbursed in accordance with the contracts, and to determine the existence of any excess funds.
- Development awards to verify that contracts were awarded properly and 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 audit report (No. 2006-0630-3A2).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 30-month period ended December 31, 2007, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas we tested.

AUDIT RESULTS

1. PRIOR AUDIT RESULTS RESOLVED – AVAILABILITY OF LAND TO BUILD AFFORDABLE HOUSING UNITS

Our prior audit report (No. 2006-0630-3A2) found that the Authority had approximately 4.5 acres of land on which it could potentially build additional affordable housing units located adjacent to the North Federal 202 Project, off Sheila Avenue. The prior report noted that the need for additional housing was justified, considering that as of June 30, 2005, there were over 200 applicants on the Authority's waiting list.

Our follow-up review determined that the Authority is in the process of obtaining a permit for the construction of a 37-unit development, which is expected to cost \$9 million. The project will be funded through the Department of Housing and Community Development (DHCD) and the sale of tax credits, and will be owned and managed by the Authority.

2. PRIOR AUDIT RESULTS PARTIALLY RESOLVED

Our prior audit report also noted that improvements were needed in the areas of (a) compliance with Chapter II of the State Sanitary Code and (b) DHCD funding of modernization initiatives. Our follow-up review indicated that the Authority has partially resolved these issues, as follows:

a. Compliance with State Sanitary Code

During our prior audit, we inspected 20 of the Authority's 187 state-aided elderly and family housing units managed by the Authority and noted 13 instances of noncompliance with Chapter II of the State Sanitary Code, including water penetration from sliding doors, front entrance overhang needing replacement, carpenter ant and termite infestation, siding needing replacement, deteriorating kitchen countertops and sink plumbing, cracked bathroom walls, sidewalks in need of repaving, and other health and safety hazards.

DHCD's Property Maintenance Guide, Chapter 3 (F), requires that inspections of dwelling 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. The Executive Director of the Authority informed us that the Authority conducts inspections of all units annually and makes all necessary safety repairs.

During our follow-up review we found that the Authority has partially resolved the prior issues. Specifically, the Authority has addressed the instances of water penetration from sliding doors, front entrance overhangs, carpenter ant and termite infestation, cracked bathroom walls, and sidewalks in need of repaving. However, the Executive Director stated that the siding and kitchen renovation issues have not yet been corrected because DHCD denied the Authority's funding requests for these repair projects.

Recommendation

The Authority should reapply for funding from DHCD to resolve the remaining conditions noted in our report. Moreover, DHCD should provide sufficient funds to the Authority in a timely manner so that it may provide safe, decent, and sanitary housing for its tenants.

b. Modernization Initiatives

Our prior audit noted that although the Authority, on November 9, 2004, notified DHCD of its budgeting and capital improvement needs and specific modernization initiatives for its 667-1, 667-3, 667-4, and 667-5 developments, including elevator, drainage, roof, boiler, siding, door, window, and bathroom renovations, these requests were not funded by DHCD during the audit period.

Our follow-up review determined that the Authority has since received modernization funding to repair the elevators at the 667-3 and 667-5 developments, the roofs at the 667-1 Development, and the boiler and window repairs at the 667-5 Development. However, DHCD did not fund the Authority for the drainage and siding repairs. Moreover, we noted that the Authority was using its Operating Reserves to complete the needed bathroom renovations.

The Authority also indicated that it has requested DHCD's permission to sell the six condominiums at its 667-4 Development due to the annual costs to maintain the condominiums; however, DHCD has refused the request.

Recommendation

The Authority should continue to appeal to DHCD to provide the necessary modernization funds to remedy the remaining issues in a timely manner.

Auditee's Response

In response to our report, the Authority indicated that it concurred with the issues and recommendations presented therein.