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

**OFFICIAL AUDIT
REPORT
JULY 11, 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 Leicester Housing Authority for the period July 1, 2005 to March 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. 2006-0691-3A). Based on our review, we have concluded that during the 33-month period ended March 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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PRIOR AUDIT RESULTS RESOLVED

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Our prior audit report noted that improvements were needed regarding two issues: (a) noncompliance with the State Sanitary Code, and (b) modernization initiatives not funded by the Department of Housing and Community Development (DHCD). Our follow-up review revealed that the Authority has taken action to address these issues, as discussed below.

a. Compliance with State Sanitary Code

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During our prior audit, we conducted inspections of three of the 124 state-aided dwelling units managed by the Authority and found one instance of noncompliance with Chapter II of the State Sanitary Code, in that a portion of a building exterior needed painting. Our follow-up review found that the Authority has painted this portion of the building's exterior.

b. Modernization Initiative Funded

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During our prior audit, the Authority indicated that although it requested modernization funds from DHCD to correct a mold/renovation/ventilation problem at its elderly housing development, DHCD denied the funding for this project. Consequently, the Authority addressed the situation using its own funds in order to meet DHCD's 21-day timeframe for turning around and reoccupying vacated units. The Authority also informed us that it paid for several other modernization projects, including elevator (\$403,434) and sewer repair (\$39,000) projects, out of its operating revenues. Our follow-up review indicated that the Authority did seek reimbursement from DHCD for the sewer repair project at its 689 Program, and was subsequently reimbursed \$39,000.

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 Leicester Housing Authority for the period July 1, 2005 to March 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.
- 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 audit report (No. 2006-0691-3A).

Based on our review, we have concluded that during the 33-month period ended March 31, 2008, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

PRIOR AUDIT RESULTS RESOLVED

Our prior audit report (No. 2006-0691-3A) of the Leicester Housing Authority noted that improvements were needed regarding two issues, (a) non-compliance with the State Sanitary Code, and (b) modernization initiatives not funded by the Department of Housing and Community Development (DHCD). Our follow-up review revealed that the Authority has taken action to address these issues, as discussed below.

a. Compliance with State Sanitary Code

During our prior audit, we conducted inspections of three of the 124 state-aided dwelling units managed by the Authority (Elderly Housing 667-1 and 667-2) and found one instance of noncompliance with Chapter II of the State Sanitary Code, in that a portion of a building exterior needed painting. Our follow-up review found that the Authority has since painted this portion of the building's exterior.

b. Modernization Initiative Funded

During our prior audit, the Authority informed us that although it requested modernization funds from DHCD to correct a mold/renovation/ventilation problem at its elderly housing development, DHCD denied the funding for this project. Consequently, the Authority addressed the situation using its own funds in order to meet DHCD's 21-day timeframe for turning around and reoccupying vacated units. It was further noted that the Authority took the initiative to address various other issues, including elevator (\$403,434) and sewer repairs (\$39,000), which were also paid out of the Authority's operating reserve funds.

Our prior report also disclosed that the Authority was facing two additional major improvement projects that would need modernization funding from DHCD, as follows:

Item	Cost
Paving/Resurfacing	\$125,000
Drainage System	\$100,000

We recommended that the Authority seek funding from DHCD to reimburse its operating reserve for the prior expenditures noted above and that DHCD obtain and provide to the Authority the funding needed for its two pending modernization projects.

Our follow-up review indicated that the Authority did seek reimbursement from DHCD for the sewer repair project at its 689 Program, and was subsequently reimbursed \$39,000. However, we also noted that the Authority did not seek reimbursement for the funds it used to correct its mold/renovation/ventilation problems, because it had sufficient reserves to pay for these projects. We reiterate that the Authority should seek funding from DHCD for its pending modernization projects so that the paving/resurfacing and drainage issues can be addressed in a timely manner while leaving the Authority's reserves intact and available for future emergency situations.