



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. 2007-0743-3A

INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
NORTH ATTLEBORO HOUSING AUTHORITY
APRIL 1, 2004 TO AUGUST 31, 2006

OFFICIAL AUDIT
REPORT
MARCH 20, 2007

TABLE OF CONTENTS/EXECUTIVE SUMMARY

INTRODUCTION**1**

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we conducted an audit of certain activities of the North Attleboro Housing Authority for the period April 1, 2004 to August 31, 2006. 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 compliance with laws, rules, and regulations applicable to each program. Based on our review, we have concluded that, except for the issue addressed in the Audit Results section of this report, during the 29-month period ended August 31, 2006, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS**3**

OPERATING RESERVE SIGNIFICANTLY BELOW MINIMUM

Our review disclosed that the Authority's operating reserve was significantly below the minimum level recommended by the Department of Housing and Community Development (DHCD). Specifically, although DHCD budget guidelines suggest that the Authority's minimum operating reserve should be \$181,402, based on the Authority's total operating expenditures, the Authority's actual operating reserve was only \$138,544 as of June 30, 2006. Without a sufficient operating reserve, the Authority may lack sufficient funds to meet extraordinary expenses and unforeseen emergencies. DHCD should provide funding so that the Authority's operating reserve is at least sufficient to meet DHCD's minimum requirements. In response to our audit, the Authority indicated that it notified DHCD of its financial situation.

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 North Attleboro Housing Authority for the period April 1, 2004 through August 31, 2006. 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 assess 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 requirements.
- Contract procurement procedures and records to verify compliance with public bidding laws and DHCD requirements for awarding contracts.
- 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.

- Cash-management and investment policies and practices to verify that the Authority maximized its interest income and that its deposits were fully insured.
- Procedures for making payments to landlords under the Massachusetts Rental Voucher Program to verify compliance with contract provisions and that rental charges by landlords were consistent with established rules and regulations.
- 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.

Based on our review, we have concluded that except for the issue addressed in the Audit Results section of this report, during the 29-month period ended August 31, 2006, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

OPERATING RESERVE SIGNIFICANTLY BELOW MINIMUM

Our review disclosed that the North Attleboro Housing Authority's operating reserve was significantly below the minimum level recommended by the Department of Housing and Community Development (DHCD). The purpose of the operating reserve is to provide local housing authorities with a source of funding to meet extraordinary expenses and unforeseen emergencies. DHCD budget guidelines recommend a maximum operating reserve level of 50% of the Authority's total operating expenditures, and further recommend that the minimum operating reserve level not fall below 40% of the maximum reserve. Accordingly, we have determined that the Authority's operating reserve should be between \$453,505, (50% of total operating expenditures), and \$181,402, (40% of the maximum operating reserve). However, the Authority's actual operating reserve was only \$138,544 as of June 30, 2006, or \$42,858 less than the recommended minimum reserve.

Recommendation

The Authority should alert DHCD of its operating reserve balance and request funding from DHCD so that the Authority will be better able to meet any unforeseen emergency or extraordinary expenses. DHCD, in turn, should provide funding so that the Authority's reserve is at least sufficient to meet DHCD's minimum requirements.

Auditee's Response

In reviewing the draft audit report for the period of April 1, 2004 to August 31, 2006 we are very much aware that our operating reserve is significantly below the minimum level that has previously been required by the Department of Housing and Community Development.

Your recommendation that we should alert DHCD of the operating reserve balance is already being done. We file quarterly financial reports with the Department of Housing and Community Development, which give them a very up to date picture of our current financial situation.