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**INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
SWAMPSCOTT HOUSING AUTHORITY
OCTOBER 1, 2006 TO APRIL 30, 2008**

**OFFICIAL AUDIT
REPORT
NOVEMBER 21, 2008**

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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 Swampscott Housing Authority for the period October 1, 2006 to April 30, 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. In addition, we reviewed the Authority's progress in addressing the conditions noted in our prior audit report (No. 2006-0792-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 19-month period ended April 30, 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 (No. 2006-0792-3A) of the Swampscott Housing Authority, which covered the period July 1, 2003 to June 30, 2005, disclosed several issues. Specifically, our previous audit disclosed that a) 32 instances of noncompliance with Chapter II of the State Sanitary Code existed at the Authority's state aided housing developments, b) an official written preventive maintenance plan had not been established, and c) modernization requests remained unfunded by DHCD. Our follow-up review revealed that, as discussed below, the Authority has taken action to remedy two of these three issues, but that the requests for modernization funds remain unfunded by DHCD.

a. Compliance with State Sanitary Code

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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. Our prior audit of the Authority found 32 instances of noncompliance with Chapter II of the State Sanitary Code. Our follow-up review determined that the Authority has corrected all of the previously reported instances of noncompliance. We also found no new instances of noncompliance with Chapter II of the State Sanitary Code in the buildings and units inspected during our current audit.

b. Official Written Property Maintenance Plan Established

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Our prior audit found that the Authority did not incorporate DHCD's Property Maintenance Guide into its policies and procedures, and that the Authority did not have an official written preventive maintenance plan to inspect, maintain, repair, and upgrade its existing housing units. Our follow-up review determined that the Authority has

implemented a written preventive maintenance program that incorporates DHCD's Property Maintenance Guide into its policies and procedures.

c. Modernization Initiatives Remain Unfunded

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Our prior audit found that although the Authority had applied to DHCD for funding for two capital modernization projects for its state-aided properties, this request was not funded by DHCD during the audit period. Our follow-up review determined that the request remains 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 Swampscott Housing Authority for the period October 1, 2006 to April 30, 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's 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. 2006-0792-3A).

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 19-month period ended April 30, 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. 2006-0792-3A) of the Swampscott Housing Authority, which covered the period July 1, 2003 to June 30, 2005, disclosed several issues. Specifically, our previous audit disclosed that a) 32 instances of noncompliance with Chapter II of the State Sanitary Code existed at the Authority's state-aided housing developments, b) the Authority did not have an official written preventive maintenance plan to inspect, maintain, repair, and upgrade its existing housing units, and c) modernization requests were unfunded by DHCD. Our follow-up review disclosed that, as discussed below, the Authority has taken action to remedy two of these three issues, but that the requests for modernization funds remain unfunded by DHCD.

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 of the Authority noted 32 instances of noncompliance with Chapter II of the State Sanitary Code. Our follow-up review determined that the Authority has corrected all of the previously reported instances of noncompliance noted in our prior report. We also observed no new instances of noncompliance with Chapter II of the State Sanitary Code in the buildings and units we inspected during our current audit.

b. Official Written Property Maintenance Plan Established

Our prior audit found that the Authority did not incorporate DHCD's Property Maintenance Guide into its policies and procedures, and that the Authority did not have an official written preventive maintenance plan to inspect, maintain, repair, and upgrade its existing housing units. Our follow-up review determined that the Authority has implemented a written preventive maintenance program that incorporates DHCD's Property Maintenance Guide into its policies and procedures.

c. Modernization Initiatives Remain Unfunded

Our prior audit found that although the Authority had applied to DHCD for funding for the following two capital modernization projects for its state-aided properties, this request was not funded by DHCD during the audit period.

<u>Date of Request</u>	<u>Description</u>	<u>Estimated Cost</u>
September 2001	Planning Grant – Kitchen/Baths, 40 units - Elderly Housing Project 667-1	\$ 50,000
September 2001	Heating/Hot Water Boilers, 36 Units - Family Housing Project 200-1	\$200,000

Our follow-up review determined that the request remains unfunded. Deferring or denying needed modernization funding 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 Authority's modernization needs into future years will cost the Commonwealth's taxpayers additional money due to inflation, higher wages, and other related costs.

Recommendation

The Authority should continue to appeal to DHCD for funding to address its modernization needs. Moreover, 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.