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# The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

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NO. 2011-0803-3A

**INDEPENDENT STATE AUDITOR'S REPORT  
ON CERTAIN ACTIVITIES OF THE  
WAREHAM HOUSING AUTHORITY  
APRIL 1, 2008 TO JUNE 30, 2010**

**OFFICIAL AUDIT  
REPORT  
MARCH 1, 2011**



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March 1, 2011

2011-0803-3A

Donna Barros, Chairperson  
Wareham Housing Authority  
57 Sandwich Road  
Wareham, Massachusetts 02571

Dear Chairperson Barros:

Enclosed is an audit report for your review. This audit of the Wareham Housing Authority covers the audit period April 1, 2008 to June 30, 2010. This is one of a number of audits commenced and largely completed during the tenure of my predecessor, State Auditor A. Joseph DeNucci. Should you desire more information relative to this audit, please contact me.

I look forward to fostering a cooperative relationship between our respective offices. If my staff or I may be of assistance at any time, please do not hesitate to call upon us. I know we both share the goal of making government work better.

Sincerely,

A handwritten signature in black ink, appearing to read "Suzanne M. Bump".

Suzanne M. Bump  
Auditor of the Commonwealth

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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 Wareham Housing Authority for the period April 1, 2008 to June 30, 2010. 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 upon our review, we have concluded that, except for the issues addressed in the Audit Results section of the report, during the 27-month period ended June 30, 2010, the Authority maintained adequate management controls and complied with applicable laws, rules, and regulations for the areas tested.

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### AUDIT RESULTS

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#### 1. PRIOR AUDIT RESULTS RESOLVED

##### a. Attendance of Board Meetings

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Our prior audit, which covered the period March 1, 2006 to March 31, 2008, revealed that, contrary to Chapter 39, Section 23B, of the General Laws, the Authority did not have a quorum, and therefore did not meet in accordance with its bylaws, for eight of its scheduled 25 Board of Directors meetings during the audit period. Moreover, we found that the Authority did not have a state-appointed member, as required. As a result, the Commonwealth has limited assurance that the board has exercised adequate oversight and approval of cash disbursements, contracts, and other business actions of the Authority.

Our follow-up review revealed that a state-appointed member was assigned to the Authority's Board of Directors, which was able to obtain a quorum and hold meetings.

##### b. Financial Recordkeeping and Reporting

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The Department of Housing and Community Development (DHCD) Accounting Manual requires local housing authorities to properly maintain books of original entry, including a cash receipts journal, cash disbursements journal, and a general journal and ledger. The books of original entry must support the financial statements that are submitted to DHCD. Financial reports also require the disclosure of all open modernization project work plans. Our prior audit revealed several instances of inadequate financial recordkeeping and reporting. Specifically, we noted a lack of detailed transactions that support general ledger entries, account balances reported on year-end financial statements, and the proper disclosure of open modernization project work plans.

Our follow-up review revealed that the Authority properly maintains accounting records in accordance with DHCD's Accounting Manual. In addition, during our

review the required supporting documents needed to verify transactions and support the Authority's financial statements were made available.

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**2. PRIOR AUDIT RESULTS PARTIALLY RESOLVED - NONCOMPLIANCE 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 disclosed that inspections of Agawam Village (Elderly 667-1 development) revealed 55 instances of noncompliance with Chapter II of the State Sanitary Code. In addition, our inspection of Redwood Park (Elderly 667-2 development) noted seven instances of noncompliance with Chapter II of the State Sanitary Code.

Our follow-up review revealed that the Authority has taken steps to repair its buildings. Specifically, we noted that the interior of the units inspected at both developments were compliant with the State Sanitary Code. Furthermore, the buildings at Redwood Park (Elderly 667-2 development) had new exterior siding funded through a modernization grant. However, we noted that there has been no funding or improvements made to resolve the continued deterioration of the building exteriors, sidewalks, and roadway at Agawam Village (Elderly 667-1 development).

## 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 Wareham Housing Authority for the period April 1, 2008 to June 30, 2010. 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 a safe and sanitary condition and to determine whether the Authority has in place an updated official written property maintenance plan for its managed properties.
- Procedures for making payments for payroll, travel, and fringe benefits to verify compliance with established rules and regulations.
- Authority expenditures to determine whether they were reasonable, allowable, and applicable to the Authority's operations and were adequately documented and properly authorized in accordance with established criteria.

- 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.
- 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.
- 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.
- 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.
- 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.

Based on our review, we have concluded that, except for the issues addressed in the Audit Results section of this report, during the 27-month period ended June 30, 2010, 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. Attendance of Board Meetings

Our prior audit, which covered the period March 1, 2006 to March 31, 2008, revealed that, contrary to Chapter 39, Section 23B, of the Massachusetts General Laws, the Wareham Housing Authority did not have a quorum, and therefore did not meet in accordance with its bylaws, for eight of its scheduled 25 Board of Directors meetings during the audit period. Moreover, we found that the Authority did not have a state-appointed member, as required. As a result, the Commonwealth has limited assurance that the board has exercised adequate oversight and approval of cash disbursements, contracts, and other business actions of the Authority.

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**2. PRIOR AUDIT RESULTS PARTIALLY RESOLVED – NONCOMPLIANCE WITH STATE SANITARY CODE**

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 disclosed that inspections of Agawam Village (Elderly 667-1 development) revealed 55 instances of noncompliance with Chapter II of the State Sanitary Code. In addition, our inspection of Redwood Park (Elderly 667-2 development) noted seven instances of noncompliance with Chapter II of the State Sanitary Code.

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***Recommendation***

The Authority should continue to apply for funding from DHCD to address the issues noted during our inspections of the buildings and grounds at Agawam Village. In addition, the Authority should request that DHCD conduct a thorough inspection of the properties to verify the Authority's maintenance and repair needs and to assist in providing safe, decent, and sanitary housing to all Authority tenants.

***Auditee's Response***

The Executive Director provided the following response:

*Department of Housing and Community Development is aware of the Noncompliance of State Sanitary Code at both Agawam Village and Redwood Park. DHCD and WHA are working to obtain Modernization Funds through the Formula Funding to provide safe and decent housing to both Agawam and Redwood.*