



Commonwealth of Massachusetts
Office of the State Auditor
Suzanne M. Bump

Making government work better

Official Audit Report – Issued November 17, 2015

Brockton Housing Authority

For the period January 1, 2012 through December 31, 2013





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Mr. Timothy J. Sullivan, Chair
Brockton Housing Authority Board of Commissioners
45 Goddard Road
Brockton, MA 02301

Dear Mr. Sullivan:

I am pleased to provide this performance audit of the Brockton Housing Authority. This report details the audit objectives, scope, methodology, findings, and recommendations for the audit period, January 1, 2012 through December 31, 2013. My audit staff discussed the contents of this report with management of the Authority, whose comments are reflected in this report.

I would also like to express my appreciation to the Brockton Housing Authority for the cooperation and assistance provided to my staff during the audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "SMB", written in a cursive style.

Suzanne M. Bump
Auditor of the Commonwealth

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EXECUTIVE SUMMARY

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 Brockton Housing Authority for the period January 1, 2012 through December 31, 2013.

In this performance audit, we reviewed and assessed selected activities of the Authority, such as certain aspects of its financial operations, tenant eligibility, procurement of goods and services, site inspections, contracting and leasing, cost allocation, and compliance with applicable reporting and data-collection requirements. In addition, we determined whether any Authority-related associations, corporations, or other private entities were involved in financial and/or management activities and, if so, whether these activities were in compliance with applicable laws, rules, and regulations.

Below is a summary of our findings and recommendations, with links to each page listed.

Finding 1 Page 7	The Authority paid its former executive director \$34,681 for unused vacation and sick time, which caused his total compensation to exceed the maximum amount allowed by the Department of Housing and Community Development (DHCD). In addition, the payment for his unused vacation and sick time was not in accordance with the terms and conditions of his employment contract.
Recommendations Page 8	<ol style="list-style-type: none">1. The Authority should ensure that the compensation, including accrued vacation and sick time, paid to its executive director are within the limits established in the employment contract and DHCD guidelines.2. The board should document decisions regarding executive-director contracts in its meeting minutes.
Finding 2 Page 8	The Authority did not correctly file salary and benefit information for its five highest-paid staff members for fiscal years 2012 and 2013. This meant that the Authority did not provide DHCD with necessary information for oversight and transparency.
Recommendations Page 9	<ol style="list-style-type: none">1. The Authority should submit corrected salary amounts for the five highest-paid employees on the Schedules of Positions and Compensation that were filed for fiscal years 2012 and 2013.2. In the future, the Authority should take the necessary measures (e.g., training the appropriate staff on this DHCD requirement) to ensure that the correct salary information is submitted.

Finding 3 Page <u>9</u>	The Authority did not establish adequate internal controls over the use of its laundry machines or the amount of revenue received. As a result, the Authority cannot be certain that it is receiving the appropriate amount of revenue.
Recommendations Page <u>11</u>	<ol style="list-style-type: none">1. The Authority should amend its internal control policies and procedures for non-rental cash receipts to include procedures that are agreeable to the Authority and the vendor for monitoring laundry receipts.2. The Authority should ensure that it maintains a current lease with the vendor of its laundry machines.
Finding 4 Page <u>11</u>	In reoccupying units that had been vacated, the Authority exceeded DHCD's recommended turnaround time by an average of 44 days, thus losing the opportunity to earn as much as \$28,787 in rental income and possibly causing delays in providing housing to eligible applicants.
Recommendation Page <u>12</u>	The Authority should take the necessary measures to ensure that it reoccupies units within an average of 21 days.
Finding 5 Page <u>14</u>	The Authority filed its quarterly and year-end operating statements with DHCD an average of 19 days late, thus possibly putting its funding at risk.
Recommendation Page <u>14</u>	The Authority should submit its quarterly operating statements within the month after the end of the quarter and its year-end operating statements within 45 days after year-end.
Finding 6 Page <u>15</u>	The Authority maintained electronic waiting lists instead of the required handwritten ones.
Recommendation Page <u>15</u>	The Authority should use handwritten ledgers or obtain a waiver from DHCD allowing it to use electronic waiting lists.

OVERVIEW OF AUDITED ENTITY

The Brockton Housing Authority is authorized by, and operates under, the provisions of Chapter 121B of the Massachusetts General Laws, as amended. The Authority's administrative offices are located at 45 Goddard Road in Brockton, Massachusetts. The Authority currently manages and oversees 281 housing units for elderly tenants, 43 for families, 50 for veterans, and 28 for tenants with special needs. The Authority also manages 185 vouchers under the Massachusetts Rental Voucher Program and the Alternative Housing Voucher Program and 1,625 units of federal housing.

AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor has conducted a performance audit of certain activities of the Brockton Housing Authority for the period January 1, 2012 through December 31, 2013.¹

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Below is a list of our audit objectives, indicating each question we intended our audit to answer; the conclusion we reached regarding each objective; and, if applicable, where each objective is discussed in the audit findings.

Objective	Conclusion
1. Did the Authority properly administer its financial operations, including reasonableness of administrative expenses such as executive compensation and benefits, rent collections, subsidy calculations, the collectability of accounts receivable, cash controls, and the administration and oversight of modernization fund expenditures?	Partially; see Findings <u>1</u>, <u>3</u>, and <u>4</u>
2. Did the Authority determine tenant eligibility, placement, and monthly rent in accordance with the Department of Housing and Community Development's (DHCD's) regulations?	Partially; see Finding <u>6</u>
3. Did the Authority procure goods and services in accordance with applicable laws and regulations and properly safeguard its assets?	Yes
4. Were the Authority's site inspections adequate to ensure that housing units met safety and sanitation requirements?	Yes
5. Did the Authority procure its contracts and leases in accordance with applicable laws and regulations?	Yes
6. Is the Authority's cost-allocation methodology reasonable, do amounts support budgeted items, and does the plan reflect an equitable distribution between state and federal programs?	Yes

1. The Authority's fiscal year ends December 31.

Objective	Conclusion
7. Did the Authority comply with DHCD's financial reporting and data-collection requirements?	No; see Findings <u>2</u> and <u>5</u>
8. Were transactions involving financial and/or management activities between the Authority and related associations, corporations, or other private entities compliant with applicable laws, rules, and regulations?	Yes

To achieve our audit objectives, we gained an understanding of, and tested, the relevant internal controls for senior-executive and executive-director compensation, tenant selection and occupancy, vacancies, annual rent determinations, site inspections, administrative expenses, property and equipment, contract procurement, and modernization.

Further, we conducted audit testing in the following areas:

- We reviewed the Authority's policies and procedures for the administration of executive-employee salaries and fringe benefits and verified compliance with established requirements.
- We reviewed 19 of 125 travel-related expenditures incurred by the Authority during the audit period to determine their appropriateness and verified compliance with established policies and procedures.
- We reviewed operating subsidies and confirmed that all subsidies that the Authority earned were consistent with the amount it received based on DHCD's Housing Authority Financial Information System Reports and the Office of the State Comptroller's vendor Web payments.
- We examined records of tenant accounts past due on the tenant-account subsidiary ledger to ensure that overdue uncollectible tenant accounts-receivable balances were written off properly.
- We reviewed cash management and investment policies and practices by verifying bank statements, bank reconciliations, and board meeting minutes to determine whether the Authority maximized its interest income and its deposits were fully insured.
- We tested three out of nine DHCD modernization grants and Authority payments to modernization contractors by examining contracts, board meeting minutes, and DHCD payments.
- We examined all vacancy records by examining the vacancy ledger to determine whether the Authority adhered to DHCD procedures for preparing and filling vacant housing units.
- We tested a statistical random sample of 24 out of 903 annual rent-determination procedures by examining the tenant files to verify that rents were calculated properly and in accordance with DHCD guidelines.

- We tested 35 out of 782 items of state-owned property and equipment listed on the Authority's most current inventory record and determined the adequacy of the Authority's controls to protect, and account for, these assets in accordance with DHCD regulations.
- We tested site-inspection procedures and records to verify compliance with DHCD inspection requirements.
- We tested all seven contracts awarded by the Authority during the audit period to verify compliance with applicable laws and DHCD requirements for awarding contracts. We tested for proper authorizations (board meeting minutes, bids, and quotes).
- We reviewed the Authority's cost-allocation methodology and verified the DHCD-approved operating budgets for fiscal years 2012 and 2013 in comparison with actual expenditures. We also reviewed and verified line-item and total amounts to ensure that they were within budgetary limits.
- We reviewed the adequacy of procedures in place and in effect to collect data and ensure that required financial reports were complete, accurate, and submitted to DHCD in a timely manner.
- We reviewed transactions to determine whether the Authority had conducted any transactions with related associations, corporations, or other private entities.

We obtained revenue, subsidy, grant award, and expenditure information generated from information systems maintained by the Commonwealth and by the Authority. We compared this information with source documents and conducted information-security tests to determine the reliability of the data. We determined that the data were sufficiently reliable for the purposes of this report. For tests of transactions where we used a non-statistical sampling method, the results could not be projected to the populations.

DETAILED AUDIT FINDINGS WITH AUDITEE’S RESPONSE

1. The Authority’s former executive director received unallowable compensation.

During fiscal year 2012, the total compensation for the Authority’s then–executive director exceeded the maximum allowed by the Department of Housing and Community Development’s (DHCD’s) guidelines by \$34,681. In fiscal year 2012, approximately one year before the executive director retired, the Authority paid him a total of \$34,681 for his unused vacation and sick time, which brought his total compensation above the maximum allowable amount, as shown below.

Executive Director’s Compensation for 2012

Regular Earnings	Vacation Time Purchased	Sick Time Purchased	Total Salary and Benefits	Excessive Compensation
\$166,529	\$30,861	\$3,820	\$201,210	\$34,681

In addition, the executive director’s contract did not address the payment of accrued vacation time but did allow for the payment of unused sick time if the board deemed it “fiscally prudent.” There was no indication of a discussion of these matters or approval by the board of commissioners in its meeting minutes; however, the current executive director stated that the board was aware of the payment of vacation days and unused sick days.

The executive director’s contract allowed for the accrual of vacation and sick time, but the board of directors should have authorized the payment of this accrued time before he retired. As a result, not only did the executive director’s compensation exceed what was allowable under DHCD guidelines, but the payment of \$34,681 for his unused vacation and sick time was not in accordance with the terms and conditions of his employment contract.

Authoritative Guidance

DHCD’s Public Housing Notice 2012-02 (issued February 15, 2012) addresses the certification and salary cap of executive directors’ salaries:

In any instance in which an Executive Director’s Compensation prior to the Effective Date exceeded \$160,000, the Compensation for that individual shall be capped at the Compensation amount received as of the Effective Date for the term of the existing contract.

Based on this cap and on the effective date of his existing contract, the executive director's maximum compensation level for fiscal year 2012 was \$166,529.

Regarding buy-back of sick time, the former executive director's contract for January 1, 2008 through December 31, 2012 states,

If it is deemed fiscally prudent by the Board of Commissioners, the Board may decide to "buy back" portions of the Executive Director's accumulated sick days in fiscal years prior to the year of his retirement.

Reasons for Noncompliance

Authority officials could not adequately explain why it had disbursed vacation and sick benefits without documentation of a board vote.

Recommendations

1. The Authority should ensure that the compensation, including accrued vacation and sick time, paid to its executive director are within the limits established in the employment contract and DHCD guidelines.
2. The board should document decisions regarding executive-director contracts in its meeting minutes.

Auditee's Response

The Authority agrees with this finding. In response we have implemented systems that would not allow such payouts without evidence of a vote by the Board of Commissioners authorizing any payments to any employee or vendor. These approvals may be in the form of a Board approved policy, such as the Procurement Policy; employment agreements, such as the Executive Director's contract, Personnel Policy, union agreements or other work agreements; or a specific Board vote verified by a signed extract of the Board meeting minutes.

2. The Authority did not correctly report salary certifications for its five highest-paid employees for fiscal years 2012 and 2013.

We obtained a copy of the Authority's salary certifications and found that the Authority had not correctly filed salary and benefit information for its five highest-paid staff members for fiscal years 2012 and 2013. Specifically, the Authority did not enter correct salary and benefit information on the DHCD-prescribed Schedule of Positions and Compensation. Therefore, the Authority's financial disclosures for these fiscal years lacked sufficient transparency and did not provide DHCD with the information the department needs to effect proper oversight, including verifying that salaries for the five highest-paid employees were in compliance with DHCD requirements.

Authoritative Guidance

DHCD Public Housing Notice 2012-03, dated February 15, 2012, requires all local housing authorities to "report to DHCD annually . . . with the submission of their year-end financial statements, the Compensation provided to each of their five highest compensated employees."

Reasons for Incorrect Reporting

According to Authority officials, the incorrect reporting of salary and benefit information was due to a misunderstanding of DHCD filing instructions. The Authority used the staff members' budgeted salaries for the new fiscal year rather than correctly using the actual paid compensation of the prior year.

Recommendations

1. The Authority should submit corrected salary amounts for the five highest-paid employees on the Schedules of Positions and Compensation that were filed for fiscal years 2012 and 2013.
2. In the future, the Authority should take the necessary measures (e.g., training the appropriate staff on this DHCD requirement) to ensure that the correct salary information is submitted.

Auditee's Response

The Authority has always complied with request for public information, regardless of the source of the request, in a timely and accurate manner. The reporting of the budgeted salary information to DHCD was submitted at the same time as our annual budgets along with the other required budget certifications. The newness of the process and the assumed coupling of it with the budget caused the Authority to assume the request was to segregate the five highest paid employees from the submitted budget for publishing on the state's website.

The Schedule of Positions and Compensation form that was presented to the Board for consideration was accompanied by a memo that stated "These figures come directly from the budgets that you approved in December of 2012 for this fiscal year." The Board deliberated and voted in public on this issue. There may have been a misunderstanding of the Public Housing Notice 2012-03 but there was no attempt to avoid transparency on this issue.

To ensure the utmost transparency and compliance the Housing Authority Board will be presented the updated 2012 and 2013 schedule of positions and compensation forms at the Board's September 24, 2015 regular meeting and the certifications will be forwarded to DHCD the following day.

3. Internal controls over leased laundry machines were insufficient.

During our audit period, the Authority had a verbal agreement with Mac-Gray, a laundry-service vendor, under which Mac-Gray leased 47 washing machines and 47 dryers to the Authority for its nine buildings

for elderly tenants. In return, each month, the Authority would receive 58% of the income generated by these machines. We obtained a copy of the original (2001) lease, which expired in 2006 and had not been renewed, though the agreement allowed the Authority to renew it every five years.

During our audit period, the Authority did not establish adequate internal controls over the use of this equipment or the amount of revenue received. Specifically, the Authority did not have a current lease with Mac-Gray; the last lease expired in 2006. Without a current lease that clearly outlines terms, conditions, and the responsibilities of both parties, the Authority lacks a mechanism to monitor the performance of the contractor effectively and to protect itself from any legal issues (e.g., claims by the contractor for nonperformance of work or liability) that may arise. Further, in speaking with the Authority's staff and the vendor, we learned that the Authority had not established controls to monitor the collection of monthly laundry receipts effectively so that it could verify the amount collected and ensure that it received the correct amount of revenue. Specifically, no Authority employees are present when the vendor collects and counts the revenue from laundry machines. As a result, the Authority cannot be certain that the vendor's cash count is correct and that the Authority is receiving the appropriate amount of revenue.

Authoritative Guidance

In its Accounting Manual, DHCD states that the managers of each Authority are responsible for developing and implementing a system of internal controls. These controls should safeguard assets such as cash; promote efficiency; encourage compliance with appropriate policies, rules, and regulations; and ensure accuracy of accounting records. Cash is a vulnerable asset that requires a system of strong internal controls to prevent theft or misuse. The National Association of State Comptrollers has issued an Internal Control Questionnaire, titled "Cash, Petty Cash, Change Funds, and Credit Cards," containing guidance on this matter, including the following:

Internal Controls over cash are necessary to prevent mishandling of funds and to safeguard against loss. Strong internal controls also protect employees from inappropriate charges of mishandling funds by defining responsibilities in the cash handling process. "Cash" includes coin, currency, checks, money orders and credit card transactions. Entities can use internal controls to protect against embezzlement, theft, fraud, and poor decision making.

Reasons for Deficiencies

The Authority has established a cash-collection policy for non-rental income, but it does not address cash collection from laundry machines.

Authority officials could not explain why they had not monitored the count of cash. They stated that their reason for not renewing the lease was that the Authority was considering purchasing its own laundry machines.

Recommendations

1. The Authority should amend its internal control policies and procedures for non-rental cash receipts to include procedures that are agreeable to the Authority and the vendor for monitoring laundry receipts.
2. The Authority should ensure that it maintains a current lease with the vendor of its laundry machines.

Auditee's Response

In response to this issue the Brockton Housing Authority contacted our laundry vendor and requested that we set up a three month monitoring protocol to ensure that accurate accounting was being provided for the laundry receipts. The collections for the agreed upon sites [were] conducted in October, November and December of 2014. The variance between the unmonitored and monitored collections was 1.7%.

Although the variance was not significant, the Authority was very disappointed in the vendor's response and cavalier attitude towards the process and our concerns. A Request for Proposals has been prepared and is now being reviewed by the Housing Authority's Resident Councils. It is anticipated that the new contract will be presented to the Authority's Board in November of this year. The new contract will require each machine to have counters/meters and the Contractor must establish and adhere to a collection schedule whereby he will be accompanied by [Authority] personnel to verify the counter/meter data for each machine; this will allow for a stronger system for audit.

4. Vacant units were not reoccupied within DHCD guidelines.

Our review of the Authority's vacant-unit turnaround time showed that the Authority experienced excessive delays in preparing 75 vacated apartments for occupancy. On average, these 75 units were not ready to be occupied for 44 days beyond the 21 working days suggested by DHCD. As a result, the Authority may have lost the opportunity to earn approximately \$28,787 in rental income, and eligible applicants in need of state-aided housing may have experienced unnecessary delays in obtaining it.

Unit Vacancies

State Housing Program	Average Daily Rent	Total Number of Additional (Past 21) Days Vacant	Units with Excessive Vacancies	Potential Lost Income
Chapter 200-2 (Family)	\$8.20	731	8	\$ 5,994
Chapter 705-1 (Family)	\$9.57	457	8	4,373
Chapter 667-1 (Elderly)	\$9.08	193	12	1,752
Chapter 667-2 (Elderly)	\$9.04	622	20	5,623
Chapter 667-3 (Elderly)	\$7.54	276	8	2,081
Chapter 667-4 (Elderly)	\$9.06	182	11	1,649
Chapter 667-5 (Elderly)	\$9.10	804	8	7,316
Total		<u>3,265</u>	<u>75</u>	<u>\$28,788</u>

Authoritative Guidance

Chapter 1 of DHCD’s Property Maintenance Guide states, in part,

[DHCD] believes a reasonable outside limit for turning around vacancies is 21 working days where notice has been given. . . . This calculation of time includes all days from the first date on which rent is not collectible (either legally or practically) until the first day on which rent payments resume under the new lease. The maintenance portion of the vacancy process should not take longer than 14 days. Many vacancies should take far less time, such as routine vacancies in elderly buildings, and some will take substantially more. The 21 days should be seen as a good target for your average turnaround time.

Reasons for Excessive Vacancies

According to Authority officials, delays in filling units were caused by multiple rejections of units by prospective tenants. The process of a tenant accepting or rejecting a unit, and finding a new tenant if the unit is rejected, delays the filling of the unit. In addition, according to Authority officials, there was a lack of available maintenance personnel to reduce the turnaround time.

Recommendation

The Authority should take the necessary measures to ensure that it reoccupies units within an average of 21 days.

Auditee's Response

During the period in review, 85 apartments were reviewed for vacancy turnover. Our records indicate 74 units were over 21 calendar days from notice of vacancy to re-occupancy and 11 units were turned over within the 21 calendar days.

The housing authority has a dedicated vacancy preparation crew to handle vacant unit turnaround; approximately 22.5% of the 5 person vacancy crew was paid for using state funds for the period in question. In addition to this crew, the Housing Authority utilizes outside vendors for a variety of items, from complete renovations to simple painting and cleaning. Contributing factors to the authority exceeding 21 calendar days for re-occupancy: the Authority rarely receives notice that a unit is to become vacant. The majority of vacant apartments occur at the turn of the month, which automatically creates a backlog. Concentrating the vacancy crew on one apartment is often needed due to the extensive work required; wherever possible the [Authority] divides its workforce to simultaneously work on multiple apartments needing less work. However, due to limited staffing and budget constraints, delays do occur.

Turnover time is increased in family apartments: they are multiple bedroom units and as they are generally occupied for longer periods of time than our elderly/disabled residents, they show considerable wear and tear and require extensive renovations.

The age of the vacant units also contributes to the increase of days needed for vacant unit turnover. Most of our housing stock is between 52–68 years old and in many cases have original flooring, kitchen cabinets, bathtubs and older windows requiring extensive repairs or replacement. These units take longer to turn over and prepare to meet the State Sanitary Code. The alternative is a heavier use of outside vendors. The Authority has conducted an analysis of projected cost to meet the 21 day turnaround time based upon our historical records. Based upon this analysis it is estimated that the additional cost to utilize outside vendors to meet this criteria over the audit period would be \$125,000. This amount is far in excess of the loss of \$28,787 in rental income from exceeding 21 days turnaround. The Authority is exploring the financial feasibility of utilizing vendors to make renovations to prevent excessive days.

Auditor's Reply

The Authority should continue its efforts to renovate its units within DHCD's 21-working-day timeline. The Authority should encourage all tenants to provide timely notice of pending vacancies. Also, the condition of the units should be reviewed at least once a year, during the unit inspection. These actions will allow the Authority to plan properly for any renovations that will be needed for each unit. Although we did not review the Authority's analysis of the projected cost of using outside vendors to do the necessary repairs to meet the 21-day timeline, using outside vendors in conjunction with Authority employees would give the Authority some flexibility to reduce the overall vacancy turnaround time.

5. The Authority did not file all its operating statements on time.

We obtained copies of the Authority's financial statements and found that the Authority was late filing quarterly and year-end operating statements with DHCD during the audit period. Out of a total of 38 statements for four different programs during the audit period (27 quarterly and 11 fiscal year-end), 23 (13 quarterly and 10 fiscal year-end) were filed late. The 23 reports were filed an average of 19 days late.

Not filing these reports with DHCD on time could jeopardize the Authority's operating subsidies for the following quarter. Without its expected subsidies, the Authority could experience revenue/cash shortfalls.

Authoritative Guidance

DHCD Public Housing Notices 2011-11 and 2012-11 state that year-end operating statements must be submitted 45 days after year-end, or the operating subsidy will not be advanced. Section 10 of the DHCD Accounting Manual states that quarterly operating statements must be filed by the last day of the month after the end of the quarter.

Reasons for Late Filing

According to Authority officials, the 2012 year-end reports were filed late because of time constraints. In fiscal year 2013, delays occurred because the fee accountant did not allocate sufficient time to the preparation and filing of the state and federal reports. The fee accountant prioritized the preparation and filing of federal reports over the state reports.

Recommendation

The Authority should submit its quarterly operating statements within the month after the end of the quarter and its year-end operating statements within 45 days after year-end.

Auditee's Response

On January 6, 2012, Public Housing Notice 2012-01 was issued by DHCD. One of the directives from that notice was a new requirement that Board members vote to approve the year-end financial statements. Given the climate at that time, most Board members had questions concerning personal liability in the event there was a mis-statement. All were reluctant to vote to approve, due to the fact they were unsure of their liability. This delayed the submission of year-end reports.

The Housing Authority will make every effort to submit its year-end financial statements within the required time frame and ensure that each Board member fully understands what they are voting to approve. The Authority has also shortened its ledger closing period for the months that require a quarterly submission. By cutting three to four days off the time it takes to close the ledgers, this shortened time frame will still capture all transactions for the period. The new procedure will create more time to enter the data into the [Housing Authority Financial Information System] and ensure that the submission is not late.

6. The Authority did not maintain handwritten waiting-list ledgers.

The Authority maintained electronic tenant waiting lists for units for elderly tenants and families, as well as printed backup copies, but not handwritten ledgers as required by DHCD. The Authority had not requested a waiver from DHCD to permit it to use an electronic system. As a result, the Authority's electronic waiting list may not have adequate internal controls to ensure accurate placement of applicants or preserve the tenant public record in accordance with DHCD regulations.

Authoritative Guidance

The regulation 760 Code of Massachusetts Regulations 5.16(2) specifically requires local housing authorities to maintain permanent handwritten ledgers.

Reasons for Lack of Handwritten Ledgers

Authority personnel informed us that it had used electronic waiting lists because they allowed for more trouble-free use and saved time. They did not explain why they had not requested a DHCD waiver to maintain an electronic system.

Recommendation

The Authority should use handwritten ledgers or obtain a waiver from DHCD allowing it to use electronic waiting lists.

Auditee's Response

The [Authority] maintains a handwritten applicant ledger. The Associate Director of Admissions has worked in the Tenant Selection Department for 25 years and states that there has never been a hand written waiting list, but instead a computer waiting list. This is consistent with the information we received from DHCD that a blanket waiver was issued to all housing authorities in the early 1990s. DHCD is researching this issue. Additionally, the [Authority] has recently requested another waiver of this regulation from DHCD when this issue was brought to light by your team.

Our basis for requesting the waiver is that the process of keeping a handwritten wait list would be nearly impossible, as all wait lists change on a daily basis. Individuals' situations often change and that affects an individual's preferences and his/her place on the list. A handwritten wait list would soon become illegible. Currently the electronic wait list not only can instantly make the changes, but in the history of the file, the date, time, and person who made the change is recorded. Also, DHCD is in the process of implementing a master state wide central wait list and individual housing authorities will no longer be maintaining a wait list.

Auditor's Reply

During the audit, the Authority was unable to provide evidence of a waiver from DHCD for the regulation that requires handwritten ledgers. While it may be cumbersome for authorities such as this one to maintain the required handwritten ledgers, DHCD requires them until either a waiver is granted or the statewide central waiting list is implemented.